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DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1989

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

ON

H.R. 4794

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1989, AND FOR OTHER PURPOSES

PART 2 (Pages 1-1135)

ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD
DEPARTMENT OF TRANSPORTATION
GENERAL ACCOUNTING OFFICE
INTERSTATE COMMERCE COMMISSION
NONDEPARTMENTAL WITNESSES
PANAMA CANAL COMMISSION
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

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DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1989

THURSDAY, APRIL 21, 1988

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Frank R. Lautenberg (chairman) presiding.

Present: Senators Lautenberg and D'Amato.

GENERAL ACCOUNTING OFFICE

STATEMENT OF KENNETH M. MEAD, ASSOCIATE DIRECTOR, RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION

ACCOMPANIED BY:
MICHAEL BURROS, PROJECT DIRECTOR
JAMES NOEL, GROUP DIRECTOR

INTRODUCTION OF WITNESSES

Senator LAUTENBERG. We will call the hearing of the Subcommittee on Transportation of the Appropriations Committee to order.

This morning the subcommittee continues its series of fiscal year 1989 budget hearings that started about 2 months ago. Today we are going to review the budget request for the Office of the Secretary of Transportation.

We will first hear from the General Accounting Office. The GAO is going to testify on the results to date of a study I requested of how the Department has carried out its responsibilities for airline mergers and acquisitions and aviation consumer protection. Mr. Kenneth M. Mead, an associate director of the Resources, Community, and Economic Development Division, will be GAO's principal witness.

Following GAO, we are going to hear from the Transportation Department. The principal witness will be Ms. Janet Hale, Assistant Secretary for Budget and Programs. She is accompanied by Mr. Matthew V. Scocozza, Assistant Secretary for Policy and International Affairs.

BUDGET REQUEST

The request for the Office of the Secretary totals $68,610,000. On a net basis, this is an increase of $2.3 million over the enacted level for the current year. However, that is not a modest increase. The request assumes the termination of the essential air service program. The Congress reauthorized that program and provided $28.5 million for it for the current year.

The most substantial increase is $6.3 million for salaries and expenses. This increase would hold the Office of the Secretary harmless against the budget summit reductions. It adds nine new positions and covers administrative cost growth.

Now, we will pursue these and other matters in more detail after the GAO and Ms. Hale have had an opportunity to give their testimony.

With that, good morning. Welcome to GAO and the Department's witnesses.

Mr. Mead, if you will, introduce your colleagues and proceed with your testimony in fairly abbreviated form. We are not pressed this morning, but if you can keep it to less than 10 minutes, it would be appreciated.

STATEMENT OF KENNETH M. MEAD

Mr. MEAD. Thank you, Mr. Chairman. I would like to introduce my colleagues. On my right is Michael Burros. He has been directing the work for you. Mike's background is as an attorney in the antitrust area. On my left is James Noel. James is the Group Director at GAO for our work on deregulation of the different transportation modes.

I'll proceed with a summary of my statement, Mr. Chairman. We appreciate the opportunity to comment today on the Department's oversight of the airline industry.

Since 1985, a series of airline mergers has increased concentration in the industry. There is growing concern that this could result in higher fares and adversely affect airline service. In response to these concerns, you asked us to examine DOT's airline oversight activities.

Our work is not yet complete, but to date we have found that, first, DOT developed its merger policy based on dated assumptions about competitive conditions in the airline industry. Second, DOT has not always focused its limited investigations and enforcement resources on the most important consumer concerns. And finally, the unsuccessful transfer of airline data bases reduce the accuracy and timeliness of important industry data.

DOT'S AIRLINE MERGER POLICY

We will first discuss DOT's merger policy. To evaluate mergers, the CAB relied on a relatively new economic theory known as contestability. Now, this theory assumes that if a market is contestable, a merger among major competitors will not have a substantial negative impact because the threat of potential entrants will keep prices competitive.

The theory further suggests that merger analysis should focus on, one, barriers that make it difficult for firms to enter the industry and, second, how quickly incumbents can change their prices to meet competition. So, if barriers to entry are high and/or incumbents in the market can quickly change prices, the market is assumed not to be contestable.

CAB assumed that most airline markets were contestable and noted that it was relatively easy to enter the industry. A former CAB official told us that CAB intended to adjust the application of this theory as it acquired more experience in the years following deregulation.

By 1985 the airline industry had changed. Airlines had adopted the hub and spoke route system which allows an airline to efficiently combine passengers from spoke cities at the hub and offer more frequent and attractive service. In 1986, DOT economists pointed out that a strong hub and spoke network can make an incumbent airline virtually invulnerable to competition.

Since deregulation, airlines have developed tools such as frequent flyer programs and computerized reservation systems that many analysts believe make entry more difficult and allow incumbents to rapidly respond to entry. These changes led former CAB officials, DOT economists, and airline industry analysts to challenge the assumption that airline markets were contestable.

In implementing its merger policy, DOT attorneys who developed and wrote the decisions assumed, as had CAB, that airline markets were contestable. The former Deputy Assistant Secretary for Policy and International Affairs told us that although DOT relied on the assumption that airline markets were contestable, an analysis of the applicability of the theory was not undertaken.

In 1987, DOT in the USAir-Piedmont case considered for the first time the barriers to entry that many analysts believe make the application of the theory of contestability to the airline industry questionable. After reviewing the evidence, the administrative law judge determined that barriers to entry made the relevant market not contestable and recommended not approving the merger. The Department reviewed the decision, concluded that it was not supported by the evidence, and approved the merger.

As a result of these mergers, concentration in the industry increased during the mid-1980's. In 1978 the five largest carriers controlled 69 percent of the market. As of November 1987, these carriers controlled 74 percent of the market. New entrants have seen their market share rise from about nothing in 1978 to nearly 6.5 percent in 1985, and now it has fallen to less than 2 percent by November 1987.

We did not evaluate the correctness of individual merger decisions. We believe that merger analysis should include the full range of factors that affect entry into the industry. The USAir-Piedmont merger indicates to us that the Department considered a fuller range of factors affecting entry. In view of the increasing concentration in the industry, we will look for a fuller debate about these issues to continue.

CONSUMER AFFAIRS

To discuss consumer protection, the responsibility for implementing the DOT consumer protection regulations is split into three units at the Department. The Consumer Affairs Division resolves complaints received from the public by working with the carriers and the consumers. Now, this office received over 44,000 complaints in 1987. That was up substantially from about 13,000 in 1986. We found that the Department does not systematically follow up on the cases they handle to ensure that consumers were satisfied by DOT's actions.

The Investigations Division looks for trends in consumer complaints and investigates allegations of unfair and deceptive trade practices. It is a very small office. I believe it has about four people. Approximately 51 of their 212 cases in 1987 and 96 of their 118 cases through mid-February of this year involved Super Bowl package tour advertisements. Although this work was initiated by the Investigations Division, there were no consumer complaints about such tour packages and only a few violations were uncovered.

Further, while the Investigations Division is responsible for spotting patterns and trends in consumer complaints, the division did not act on a pattern in the area of refunds. In 1987 the division received 35 refund cases, and of these, 28 involved one company. But since this company would offer refunds whenever the Department asked, the division did not pursue the matter further. Independently, at the end of 1987, the Federal Trade Commission shut down the company for consumer fraud.

The Office of Aviation Enforcement and Proceedings enforces the Department's consumer rules. This past year it obtained 26 consent orders and collected fines totaling almost $900,000. This was the first time since DOT assumed responsibility for consumer protection that the office dealt with complaints similar to those received by the Consumer Affairs Division.

Our work to date, Mr. Chairman, has also identified problems with potentially ineffective action in a key enforcement decision and in coordination with the states in addressing important consumer issues. The Department negotiated a performance standard below that already being achieved before the settlements. And as a result, airlines that were affected by the settlements can have late flights up to 50 percent of the time over a 3-month period at the affected airports without incurring any penalties.

Also, state attorneys general are receiving an increasing number of complaints about the travel industry. The complaints received at the state level in our view could be used by the Department to target enforcement efforts, particularly in view of the small number of DOT staff assigned to the consumer protection area.

AVIATION DATA BASES

Finally, to touch on DOT's aviation data bases, in 1986 DOT began to move the aviation data base functions from Washington, DC, to the Transportation Systems Center in Cambridge, MA. The move to TSC was unsuccessful, and it resulted in declines in the reliability and timeliness of the data bases. For example, the data used by the Federal Aviation Administration to allocate $500 million to airports from the trust fund was sent to the FAA without key information, thus understating the number of passengers who had flown from certain airports.

We think DOT has this problem in hand now that they have returned the data base functions to Washington, DC. By this fall we expect things to be on the right track.

Finally and in summary, Mr. Chairman, we believe our work suggests several ways in which DOT could improve its industry oversight. We think it would have been more consistent with DOT's role as an expert agency if it had critically examined, at an earlier juncture in time, the assumptions it was using about the contestability of the airline industry and factors that affect entry, such as computerized reservation systems, hubs and spokes, and frequent flyer programs. We are encouraged by the USAir-Piedmont decision which reflects a willingness to consider these factors.

And in the consumer affairs area, we believe the Department could improve the use of its very limited resources by following up on complaints to make sure they are resolved, focusing investigation resources on major consumer concerns, and using all available resources, including those available from the state attorneys general to obtain information on those concerns.

That concludes our statement, Mr. Chairman.

PREPARED STATEMENT

Senator LAUTENBERG. Thank you very much, Mr. Mead. Your complete statement will be made part of the record.

[The statement follows:]

STATEMENT OF KENNETH M. MEAD

We appreciate this opportunity to comment on the Department of Transportation's (DOT) oversight of the airline industry. Since 1985, when DOT inherited oversight responsibility from the Civil Aeronautics Board (CAB), a series of airline mergers has increased concentration in the industry. There is growing concern that this increased concentration could result in higher fares for many airline travelers and could adversely affect the quality of airline service.

In response to these concerns, you and the Chairman of the Subcommittee on Oversight and Investigations of the House Energy and Commerce Committee asked us to examine DOT's airline oversight activities.

We focused on three questions.

-- How has DOT developed and implemented its policy for approving airline mergers?

-- What has DOT done to protect airline passengers from unfair and deceptive trade practices?

-- How has DOT maintained data bases needed to oversee the airline industry?

While our work is not complete, we have found the following:

-- DOT developed its merger policy based on dated assumptions about competitive conditions in the airline industry. It has approved 20 mergers based on this policy. In the most recent merger case, however, the department considered newer assumptions that better reflect the realities of today's concentrated industry.

-- While DOT has provided a clearinghouse for consumer complaints, it has not always focused its limited investigation and enforcement resources on the most important consumer concerns.

-- The unsuccessful transfer of airline data bases to the Transportation Systems Center reduced the accuracy and timeliness of important industry data.

In conducting this review, we interviewed DOT, former CAB, and airline officials, industry experts, state law enforcement officials, and consumer affairs advocates. We examined DOT's statutory authority and relevant merger and enforcement cases, and we reviewed economic and legal literature on the airline industry.

BACKGROUND

In 1984, the Congress passed the CAB Sunset Act to clarify where some of the remaining CAB regulatory functions would go when the Board was abolished in 1985. The act gave DOT, rather than the Department of Justice[1], authority to approve mergers because of DOT's specialized knowledge of the transportation industry. The Department also received CAB's authority to investigate and enforce rules against unfair and deceptive trade practices. In addition, the Congress reiterated the requirement that DOT collect data on airline operations CAB had previously collected.

DOT's DEVELOPMENT OF ITS AIRLINE MERGER POLICY

To approve airlines' applications to merge, DOT used the same assumptions about the airline industry that CAB developed in 1979. From 1978 to 1985, however, fundamental changes in the industry caused many persons, including former CAB officials who first developed the assumptions, to question whether they continued to apply to the airline industry. DOT used these assumptions in approving 20 mergers between 1985 and 1987. In 1987, DOT began to examine alternative views of the industry.

CAB's Merger Policy

Airline mergers were subject to the Board's jurisdiction under 49 U.S.C. §1378. This statute prohibits mergers whose effect may be to substantially reduce competition. In developing a standard to use in evaluating mergers, CAB relied on what was then a relatively new economic theory known as contestability. Contestability theory focuses on the role of potential competitors, as opposed to existing competitors, as a force that restrains the ability of an incumbent firm to charge monopoly prices. This theory assumes that if a market is contestable, a merger among major competitors will not have a substantial negative effect

---

1. The Airline Deregulation Act of 1978 had originally specified that this authority would be given to the Department of Justice when CAB was sunset. DOT's merger authority expires in January 1989, and the Department of Justice will assume responsibility for airline industry mergers.

because the threat of potential entrants will keep prices competitive.

When applied to deciding if a merger is anticompetitive, this theory suggests that the analysis of the merger should focus on (1) barriers that make it difficult for firms to enter or exit the industry and (2) how quickly incumbents can adjust their prices to meet competition. Consequently, if barriers to entry are high and/or incumbents can quickly change prices, the market is assumed not to be contestable.

In its review of the Texas International - National Airlines merger application, CAB assumed that most airline markets were contestable. The Board noted that it was relatively easy for a new airline or an existing carrier to expand service into a new market. In CAB's view, the major barrier to entry, government regulation, had been removed. However, CAB's merger decisions identified concerns about applying the theory without adequate consideration of market structure. Further, a former CAB official told us that CAB intended to adjust the application of this theory as it gained more experience with a deregulated airline industry.

Fundamental Changes Have Occurred in the Airline Industry

By 1985, when DOT assumed merger oversight responsibilities, the airline industry had undergone fundamental changes which may have affected the industry's contestability. For example, airlines had adopted the hub and spoke route system. This system allows an airline to efficiently combine passengers from "spoke" cities at the "hub" and offer more frequent and attractive service to more destinations. In 1986, DOT economists pointed out that a strong hub and spoke network can also make the incumbent airline virtually invulnerable to competition from another airline. Similarly, representatives of several major airlines told us that they believed an airline could only enter and compete at another airline's hub with service from its own hub.

Since deregulation, airlines have developed competitive tools such as frequent flyer programs and computerized reservations systems. Many industry analysts believe that frequent flyer programs make entry more difficult and that computerized reservations systems allow incumbents to rapidly respond to entry. For example, many industry analysts believe that frequent flyer programs make it hard for a new entrant to attract passengers away from an incumbent. This may be particularly true if, in the case of an airline with a hub, the incumbent offers many, potentially attractive, destinations. Many analysts also believe that computerized reservation systems allow incumbents to make rapid price adjustments in response to potential entry.

These changes led former CAB officials, who first applied the theory of contestability to airline markets, DOT economists, and airline industry analysts to challenge the assumption that airline markets were contestable.

DOT's Merger Policy

Between 1985 and 1987, DOT reviewed and approved 20 merger applications. In implementing its merger policy, DOT attorneys, who developed and wrote the decisions, assumed, as had CAB, that airline markets were contestable. The Deputy Assistant Secretary for Policy and International Affairs told us that, despite concerns by DOT analysts about continuing to apply the contestability theory to the airline industry, an analysis of the applicability of the theory was not undertaken.

In 1987, DOT, in the USAir-Piedmont case, considered for the first time, the barriers to entry, such as frequent flyer programs and computerized reservations systems, that many analysts believed make the application of the theory of contestability to the airline industry questionable. After reviewing evidence submitted by merger opponents and DOT's Public Counsel, the Administrative Law Judge determined that barriers to entry made the relevant market not contestable. Therefore, he found that the merger would be anticompetitive and recommended not approving it. The department

reviewed his decision, concluded that it was not supported by the evidence, and approved the merger.

As a result of these mergers, concentration in the airline industry increased during the mid-1980's. In 1978, prior to deregulation, the five largest carriers controlled 69 percent of the market. By 1985, their market share had fallen to about 57 percent. As of November 1987, these carriers controlled 74 percent of the market. (See attachment I.) New entrants have seen their market share rise from nothing in 1978 to almost 6.5 percent in 1985, only to see it fall to less than 2 percent by November 1987. (See attachment II.) Several economic studies have shown that high concentration along city pair routes is associated with higher fares. At the request of the Ranking Minority Member of the Senate Committee on Commerce, Science and Transportation we are studying the effects of concentration on airline prices and services.

While we did not evaluate the correctness of individual merger decisions, we believe that merger analysis should include the full range of factors affecting entry in the airline industry, such as computerized reservations systems and frequent flyer programs. Although DOT did not consider these barriers in its initial cases, the USAir-Piedmont merger indicates that the department considered a fuller range of factors affecting entry. Under the CAB Sunset Act, the Department of Justice will assume responsibility for airline mergers in January of 1989. In view of the increasing concentration in the industry, we would look for a fuller debate about these issues to continue.

CONSUMER PROTECTION ACTIVITIES

DOT has a number of regulations intended to protect airline consumers. These regulations address, among other things,

-- unrealistic or deceptive scheduling,

-- liability for lost or damaged baggage,

-- payment and processing of requests for refunds,

-- compensation for passengers who are denied a seat on an airplane, and

-- charter operations.

The responsibility for implementing these regulations is split into three units.

-- The Consumer Affairs Division, in the Office of Consumer Affairs, employs 13 people who receive and handle individual consumer complaints. It refers those complaints that appear to be patterns of violations of the regulations to the Investigations Division.

-- The Investigations Division, also in the Office of Consumer Affairs, has a staff of four who look for trends in consumer complaints, and investigate allegations of unfair and deceptive trade practices. They also perform investigations at the request of both the Consumer Affairs Division and the Office of Aviation Enforcement and Proceedings.

-- The Office of Aviation Enforcement and Proceedings, in the Office of the General Counsel, is staffed by eight attorneys who enforce the Department's consumer affairs rules as well as perform other duties.

Our preliminary work has found that while DOT does provide airline consumers with a process to have complaints heard and addressed, it has not always used its limited investigation and enforcement resources on the most important consumer issues.

Consumer Affairs Division

The Consumer Affairs Division resolves complaints received from the public by working with the carriers and the consumer. In 1987, the Consumer Affairs Division received almost 45,000 complaints--a record number. In contrast, its 1986 workload was almost 13,000 cases. (See attachment III.) Of the 45,000 complaints, over 18,000 were concerned with flight problems such as cancellations and delays. Other major complaint categories included baggage, customer service, refunds, ticketing, and overbooking. (See attachment IV.)

We found that the department does not systematically follow-up on the cases they handle to ensure that consumers were satisfied by DOT's actions. Rather, they rely on consumers to call back if a problem has not been resolved by the airline. Further, although DOT regularly publishes consumer complaint data we found that they have no random validation procedures to ensure that the information they receive contains no spurious complaints.

Investigations Division

The Investigations Division examines matters referred to it by the Office of Aviation Analysis, the Office of International Aviation, the Consumer Affairs Office, and the Office of Aviation Enforcement and Proceedings and performs self-generated work. Division records indicate it closed 212 cases in 1987. (See attachment V.) The largest number of cases, 57, were checks of persons holding or applying for authority to provide airline service and were not related to the consumer complaints being received. Approximately 51 of their 212 cases in 1987 and 96 of their 118 cases through mid-February of 1988 involved Superbowl package tour advertisements. Although this work was initiated by the Investigations Division, there were no consumer complaints about such tour packages, and only a few violations were uncovered.

While it is responsible for spotting patterns in consumer complaints, the Investigations Division did not act on a pattern in the area of refunds. Specifically, in 1987, the division received 35 refund cases, about 15 percent of its total caseload. Of these, 28 involved one company. However, since this company would offer refunds when the department asked, the division did not pursue the matter any further. Independently, in late 1987, the Federal Trade Commission shut down this same company and froze its assets for fraudulent activity.

Office of Aviation Proceedings and Enforcement

The Office of Aviation Proceedings and Enforcement obtained 26 consent orders and collected fines totaling almost $900,000 in 1987. (See attachments VI and VII.) This was the first time since DOT assumed responsibility for consumer protection in 1985, that the office dealt with complaints similar to those received by the Consumer Affairs Division, such as denied boarding compensation and refunds. In contrast, in 1986, the office collected $137,000 in fines and handled only seven cases, five of which were not related to consumer protection, while the remaining two involved violations of DOT's charter rules.

Other Consumer Protection Issues

In addition, our work to date has also identified problems with (1) potentially ineffective action in a key enforcement decision, and (2) coordination with the states in addressing important consumer issues. As noted previously, flight problems, such as delays, have been a major consumer concern. However, as part of a special investigation into airline scheduling delays by the Office of the Secretary, the department negotiated a performance standard below that already being achieved before the settlements. As a result, the airlines in these settlements can have late flights up to 50 percent of the time over a 3 month period at the affected airports without incurring any penalties. At the time of the settlement the affected airlines' late flight average was below 50 percent. Further, the settlement only covered 6 airlines at 4 airports, or about 10 percent of all domestic flights.

State Attorneys' General are receiving an increasing number of complaints about the airline travel industry. In response, the National Association of Attorneys General promulgated guidelines which were intended to address complaints in the areas of deceptive advertising, frequent flyer rules, and denied boarding compensation. Although DOT has opposed a number of the guidelines on the basis of federal preemption of state law, the complaints received at the state level could be used by the department for enforcement and industry compliance efforts, especially given the small number of DOT staff assigned to investigate unfair and deceptive trade practices in the airline industry. The Federal Trade Commission, for example, relies on information received from the states for its enforcement activity.

AVIATION DATA BASE TRANSFER

DOT's aviation data bases contain information on traffic volumes, fares, airline operations and finances, and airport use. This information is used to allocate money from the Airport and

Airway Trust Fund, manage the Essential Air Services program, decide merger and international route cases, and forecast traffic.

In 1986, the Research and Special Programs Administration (RSPA) began to move the aviation data bases from the Office of Aviation Information Management (OAIM) in Washington, D.C. to the Transportation Systems Center (TSC) in Cambridge, Massachusetts. RSPA said that this move would enable DOT to recoup money for data base access from users of the data bases and would make the data bases self-sustaining. In a March 27, 1987 report on the then pending move[2], we noted that RSPA had not completed plans for the move but had given its commitment to meeting the concerns of users that the move not reduce the quality or timeliness of the data bases.

The move to TSC was unsuccessful. Our work to date has revealed several reasons.

-- Planning to guide the transfer was inadequate.

-- Staff experienced in managing the data bases did not want to move and left DOT.

-- Replacement staff did not receive adequate training.

-- DOT's computer operating system was changed before the data base programs could be rewritten to run on the new system.

As a result, the reliability of the data bases suffered. For example, data used to allocate $500 million to airports from the aviation trust fund was sent to the FAA without information for several carriers for entire quarters, thus understating the number of passengers who had flown from certain airports. An FAA employee discovered the error in time to correct the problem before funds were misallocated.

Data timeliness also suffered. The data used in industry analysis fell three quarters behind schedule and data for the fourth quarter of 1986 had to be completely reentered.

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2. Aviation Information: Movement of Personnel and Data Bases, GAO/RCED-87-116FS, March 27, 1987.

In order to correct these problems and improve service to data base users, DOT has transferred the data functions back to OAIM. Progress is being made on bringing the data bases up to date and improving their accuracy.

CONCLUSION

In conclusion, we believe our work suggests several ways in which DOT could improve its industry oversight functions. With respect to merger approval, we believe that it would have been more consistent with DOT's role as an expert agency if it had critically examined, at an earlier juncture, the assumptions it was using about the contestability of the airline industry, and factors that affect entry such as computerized reservations systems, frequent flyer programs, and hub and spoke systems. Responsibility for merger approval will pass to the Justice Department in January 1989. Because of fundamental changes in the airline industry, future merger decisions, which could further concentrate the industry, will need to consider these factors.

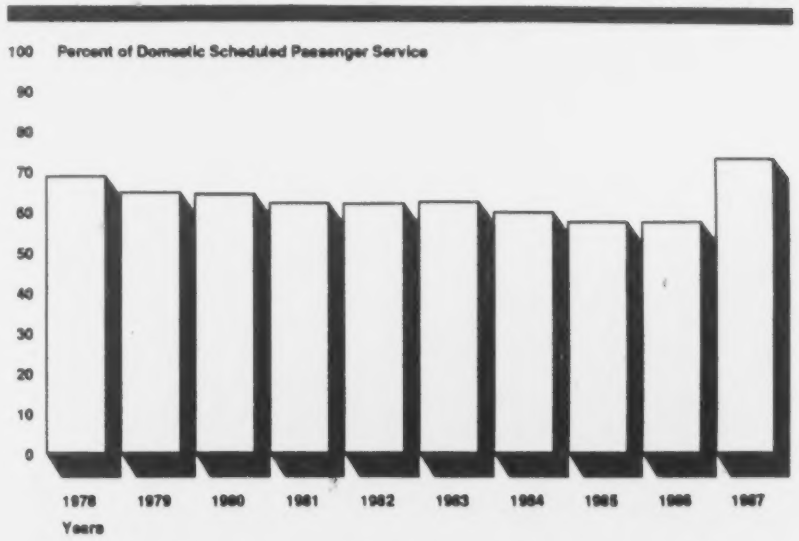
In the consumer affairs area, we found that the department does provide a clearinghouse for airline consumer complaints, and that recent enforcement actions appear to be more closely linked to the complaints received in the Consumer Affairs Division. Our work suggests, however, that the department could ensure its effectiveness and improve the use of its limited resources by (1) following up on consumer complaints to make sure they are resolved, (2) focusing its investigation resources on major consumer concerns, and (3) using all available resources, including those available from the state attorney generals' offices, to obtain information on consumer concerns.

While the department's unsuccessful attempt to transfer its aviation data bases to TSC reduced data accuracy and timeliness, our experience suggests that the department has taken the right step by returning control of the data bases to DOT headquarters in Washington.

This concludes my prepared statement. I will be pleased to respond to any questions you may have.

ATTACHMENT I

Market Shares of the Largest Five Airlines 1978-1987

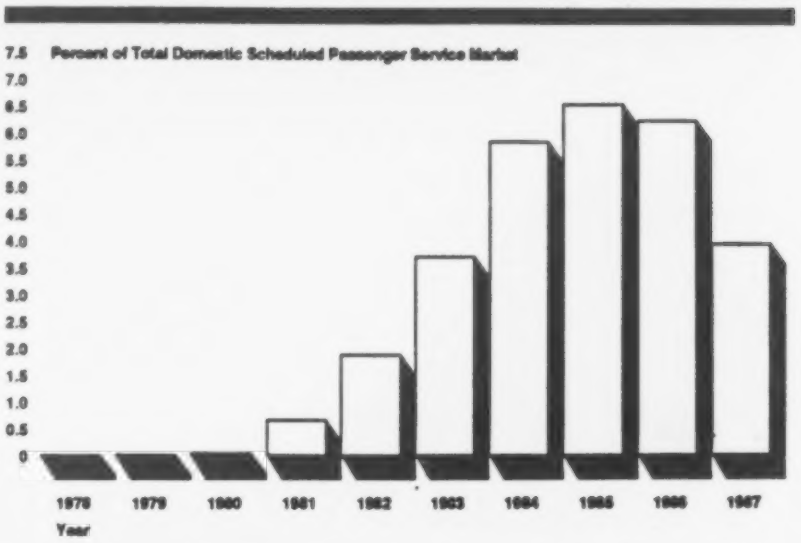


1987 figures include Continental and Eastern as one entity. If they are counted separately the largest five airlines account for 65.5 percent of the domestic scheduled passenger market for 1987.

Source: DOT Air Carrier Traffic Statistics 1978-1987

ATTACHMENT II

Market Shares of New Entrants 1978-1987



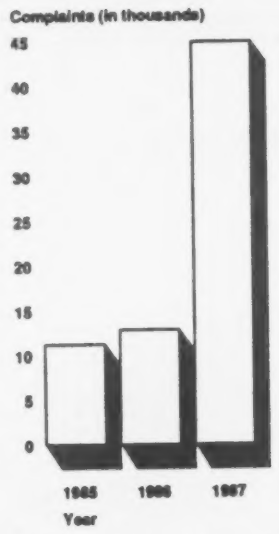
Source: Market share percentages for the years 1978 to 1986 based on December year-end data in DOT's Air Carrier Traffic Statistics.

Market share percent for 1987 based on November 31, 1986 to November 31, 1987 data in DOT's Air Carrier Traffic Statistics.

Note: Based on November 1987 data in DOT's Air Carrier Traffic Statistics new entrants now account for 1.91 percent of the domestic scheduled passenger service market.

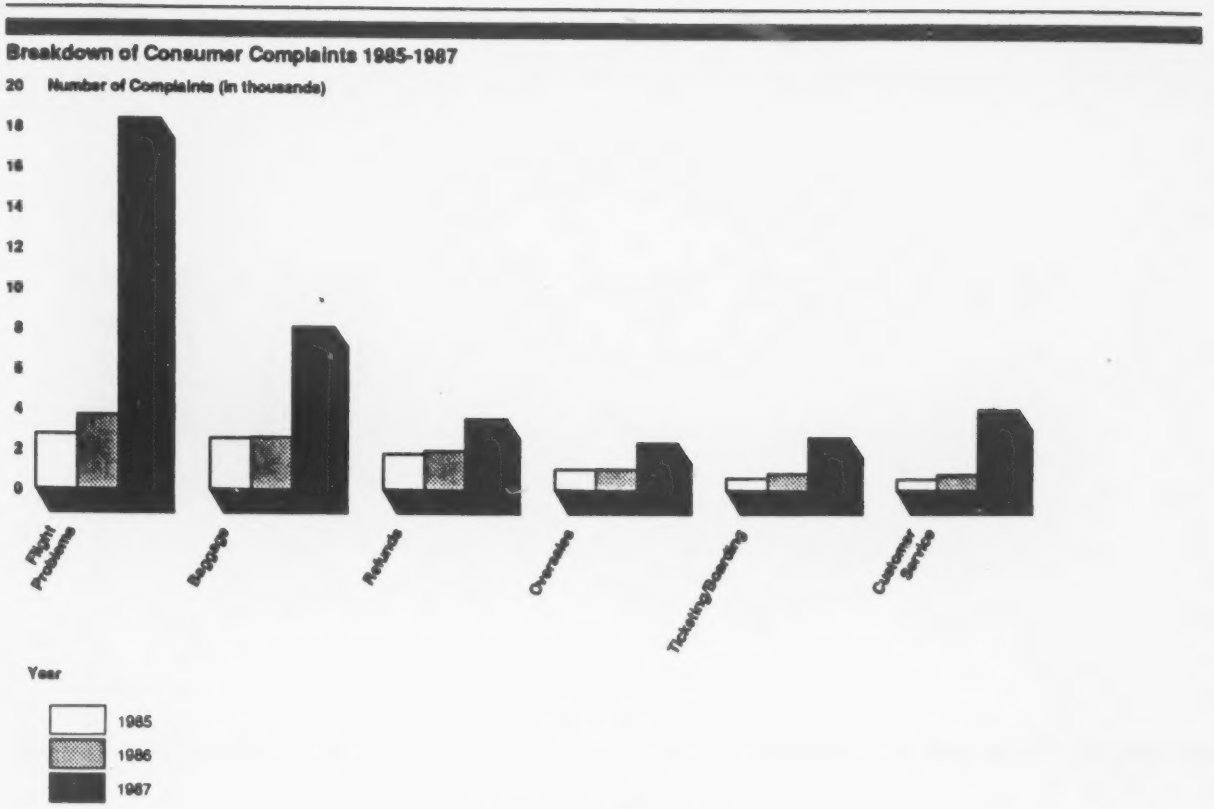
ATTACHMENT III

Airline Consumer Complaints 1985-1987



Source: DOT Office of Consumer Affairs

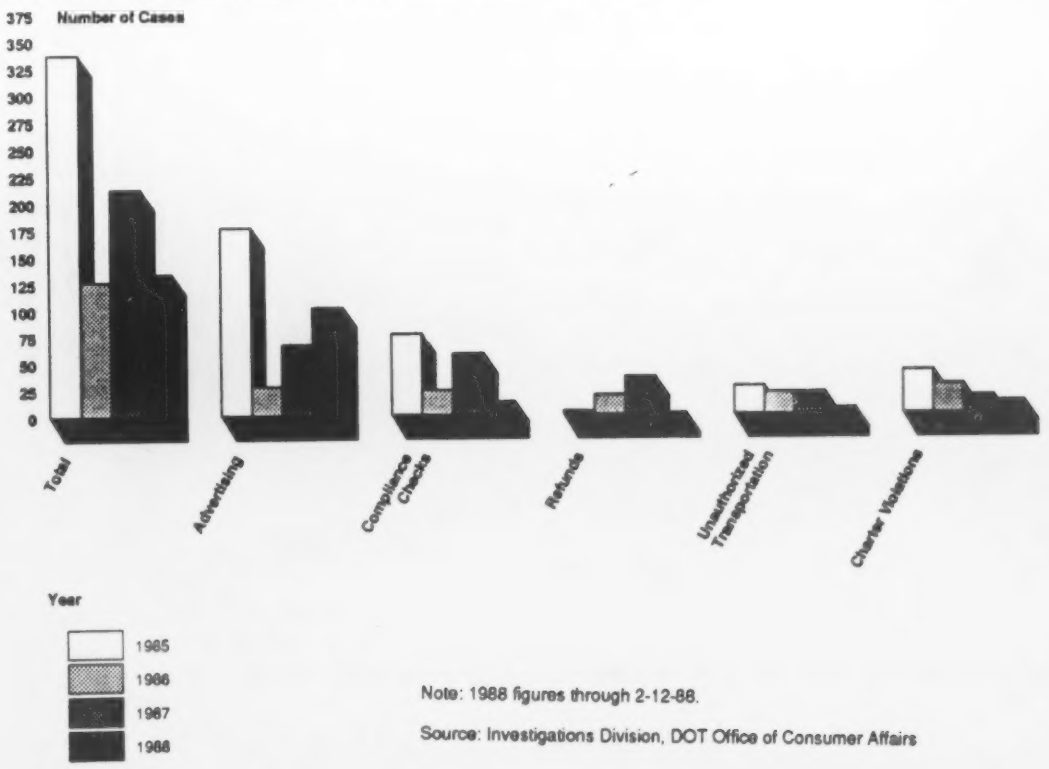
ATTACHMENT IV



Source: DOT Office of Consumer Affairs

ATTACHMENT V

Caseload - Investigations Division, DOT Office of Consumer Affairs

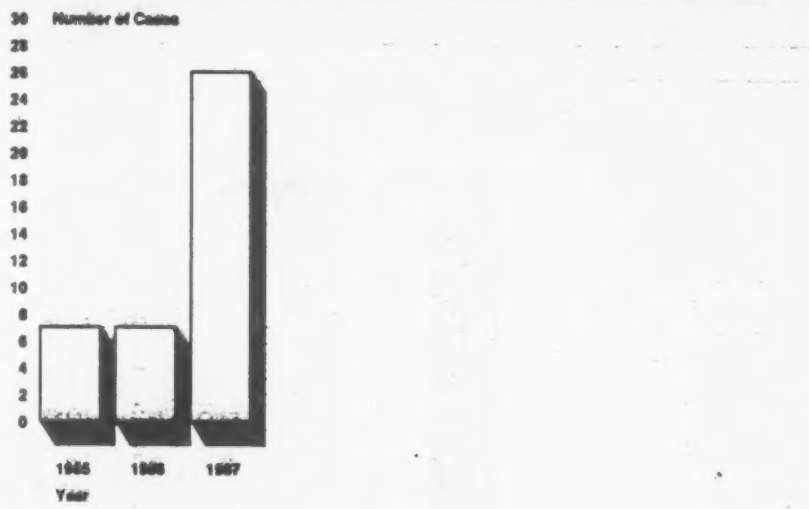


Note: 1988 figures through 2-12-88.

Source: Investigations Division, DOT Office of Consumer Affairs

ATTACHMENT VI

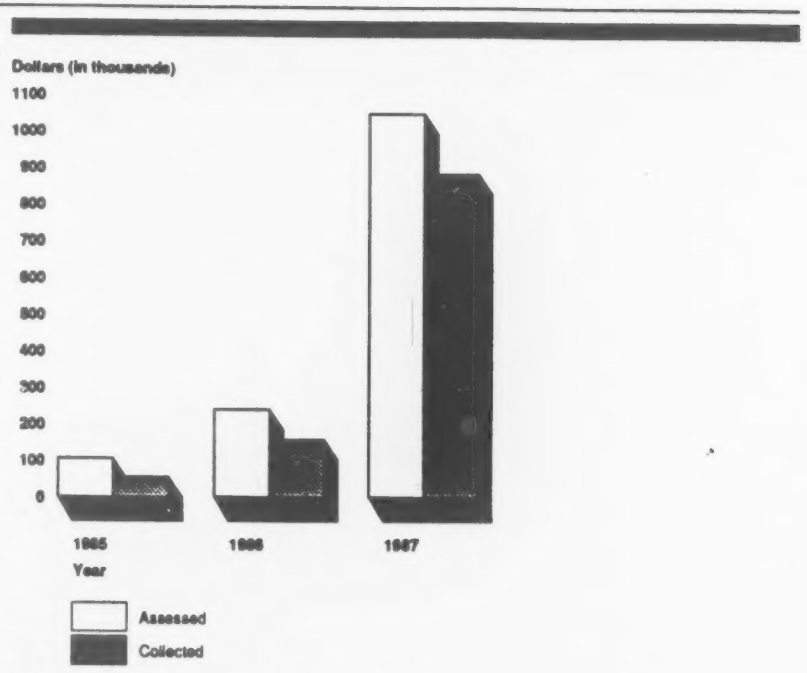
Caseload - DOT Office of Aviation Enforcement and Proceedings



Source: DOT Office of Aviation Enforcement and Proceedings

ATTACHMENT VII

Fines Assessed and Collected: DOT Office of Aviation Enforcement and Proceedings



Source: DOT Office of Aviation Enforcement and Proceedings

STATEMENT OF HON. ALFONSE M. D'AMATO, U.S. SENATOR FROM NEW YORK

Senator LAUTENBERG. Our colleague and ranking member of the subcommittee, Senator D'Amato is here. Senator, you wanted to make an opening statement.

Senator D'AMATO. Mr. Chairman, I ask in the interest of time if I might be permitted to put my full statement in the record as if read in its entirety and to make one observation.

I note that under the Department of Transportation's budget, the Essential Air Service [EAS] Program has been deleted. The fiscal year 1988 continuing resolution provided $28.5 million for the EAS Program. Under this program Brockway Air receives $936,000 to serve a number of small communities in New York State that otherwise would be without air service: Massena, Ogdensburg, Plattsburgh, Saranac Lake, and Watertown. I would imagine, Mr. Chairman, you will find throughout the nation there are a number of communities that will be impacted very adversely. I just think this is shortsighted. I intend to work to see to it that these funds are not deleted for fiscal year 1989.

And then, Mr. Chairman, as a result of that, I have asked that my two questions with respect to that issue be submitted in the record and that the Department answer them. And they are: first, why is the Department proposing to end the Essential Air Service Program and, second, how will the many small communities served by the program secure reasonably priced air service without it. I think that is important.

So, I thank you for your indulgence, Mr. Chairman, and I would ask that they be directed to respond in writing to these questions.

Senator LAUTENBERG. That will be done, Senator.

[The statement follows:]

STATEMENT OF SENATOR ALFONSE M. D'AMATO

Mr. Chairman, I join you in welcoming our witnesses from the Transportation Department, Janet Hale, Assistant Secretary for Budget, and Matt Scocozza, Assistant Secretary for Policy and International Affairs. In addition, I am pleased to welcome Ken Mead, Associate Director of the General Accounting Office. Mr. Mead will discuss issues regarding DOT oversight of the airline industry.

The proposed fiscal year 1989 budget for the Office of the Secretary [OST] is $68.6 million, an increase of $2.3 million over the current level of $66.3 million. OST funding includes OST salaries and expenses ($58.2 million), transportation planning, research, and development ($6.7 million), and the working capital fund ($3.7 million). The only program expansion requested is for $3.1 million for research and development in the Office of Commercial Space Transportation.

This budget proposal includes no funds for payments to air carriers under the Essential Air Service [EAS] Program. Despite congressional support for EAS, DOT plans to submit legislation to terminate it at the end of fiscal year 1988. The fiscal year 1988 CR provided $28.5 million for the EAS Program. Under this program Brockway Air receives about $936,000 to serve Massena, Ogdensburg, Plattsburgh, Saranac Lake, and Watertown. These upstate communities depend upon this air service and I will oppose deleting the funds for it in fiscal year 1989.

I am interested in hearing the full details of OST's budget proposal. GAO's testimony on the Department's handling of airline mergers and airline consumer protection is of great interest to the subcommittee, and I look forward to hearing it.

Thank you, Mr. Chairman.

Senator LAUTENBERG. I share your concern about the discontinuance of the Essential Air Service Program. There are many communities that are truly isolated when the relatively minimal air service that they do have is not continued. It tends to leave those kinds of communities—and there are many across the country—without real serious economic contact with the outside world. Aviation is what has helped create the kind of an economic environment that we have.

Senator D'AMATO. Well, Mr. Chairman, I look forward to working with you to see to it that it is a function that is not deleted.

Senator LAUTENBERG. Thank you very much, Senator D'Amato.

Senator D'AMATO. Thank you, Mr. Chairman.

Senator LAUTENBERG. Mr. Mead, your testimony suggests that DOT rejected the views of the Department of Justice merger opponents and even some of its own analysts in approving airline mergers. Did we understand you correctly?

Mr. MEAD. Yes; that's correct.

Senator LAUTENBERG. What was the basis in your view that DOT rejected these views?

Mr. MEAD. The merger theory that DOT applied assumed that airline markets were contestable. The Department would then focus on physical barriers to entry to a market such as whether gates or slots were available. If they found that to be so, then the merger was approved. DOT did not do an independent analysis of the impact of the hub and spoke systems, computerized reservation services, and frequent flyer programs and what impact they might have on the competitive environment.

Senator LAUTENBERG. Can you think of a merger that DOT reviewed and didn't like? Have there been any?

Mr. MEAD. Yes; there has been one, and it involved Texas Air and Eastern. Consistent with DOT logic, LaGuardia Airport did not have sufficient slots or gates to allow any competitors in. So, before approving that one merger, DOT suggested that they sell off slots and gates.

Senator LAUTENBERG. Generally you are saying that there isn't a sufficient review of the criteria necessary to truly evaluate the contestability of a market before a decision is made.

Mr. MEAD. Yes; but the industry has changed, and there is a fuller range of conditions that now need to be intensely scrutinized.

Senator LAUTENBERG. Does the concentration of power, which you make reference to and you show also on a chart, concern you that we might be facing different kinds of service or higher fare levels as a result? What is the concern about concentration?

It is the traditional concern I assume that we see of a relatively limited marketplace with the service supplied in the marketplace by too few purveyors of service. The flying public, I assume, will then be captive to the decisions made in these cases.

Mr. MEAD. That is the concern.

Senator LAUTENBERG. So, we now have five of the major airlines with—what is the figure?

Mr. MEAD. It's 74 percent.

Senator LAUTENBERG. Is that an all-time high?

Mr. MEAD. Yes.

Senator LAUTENBERG. It's an all-time high.

I guess you haven't been able to yet evaluate the consequences of that.

Mr. MEAD. No, sir. We are in the process of doing that.

Senator LAUTENBERG. Well, we would like you to do that. We see it on an incidental basis in our area because there are many airline opportunities for a passenger to choose from, but not at either the time or the destination. We see an enormous concentration of service in various of the New York airports, but in particular in Newark. And while I have no indication at the moment that either the fare structure or the service quality has changed radically, certainly it is a decision that can be made unilaterally by the companies supplying the service.

Mr. MEAD. Yes, sir; in fact, the 74-percent figure is a nationally based figure, and it is somewhat misleading. For example, at the Minneapolis-St. Paul Airport before the merger of Northwest and Republic, Northwest had 52 percent of all enplanements. Today, subsequent to the merger, Northwest has 82 percent. The concentration ratios can increase in airports like Minneapolis-St. Paul as a result of merging two airlines with the same hub.

AGENCY EXPERTISE

Senator LAUTENBERG. I don't think we have that kind of proportionality in Newark. But that has to be a matter of concern. We hope that DOT would take a closer look at these things.

You have said in your testimony that the CAB analysts who first applied the theory of contestability to airline mergers have since changed their minds. Who are these people and how have they changed their minds?

Mr. MEAD. Before addressing who has changed their mind, Alfred Kahn, the former Chairman of the CAB, sometimes known as the father of deregulation, has always insisted that changing conditions in the industry have to be watched very carefully, and analysis must include things like these hub and spoke systems.

Elizabeth Bailey, one of the architects of the theory of contestability, was a member of the CAB when the Board made the assumption that airline markets were contestable. She points out, as had the CAB in 1979, that simply because right after deregulation it may have been the case that if there were gates available and slots available, that the market was easy to enter. That doesn't necessarily pertain today, there are additional barriers to entry in this industry, and she feels they should be looked at.

Mike Levine, who was responsible for the day-to-day operations of the CAB, on the Aviation Safety Commission that reported out the other day is of a similar view.

Senator LAUTENBERG. We have DOT, the expert agency. You are saying that they have never exercised that skill and that expertise in approving some 20 mergers, and based its decisions on a set of untested assumptions that are now pretty much abandoned or obsolete. Is that the way you see it?

Mr. MEAD. Our feeling, Mr. Chairman, is that the reason Congress gave the responsibility to DOT in the first instance was so that they would draw on their expert judgment in the area of transportation. Otherwise, Congress would have sent it directly to the Department of Justice. We don't believe that the Department applied its expertise sufficiently in analyzing the changing market conditions. Again, we are encouraged to see what they did in USAir-Piedmont.

In fairness to the Department, there was a wave of mergers starting in 1985 when they received their responsibility. I am sure that it caught everybody by surprise, and perhaps the Department didn't have as much time as it would have liked to consider these factors.

HUBS AND SPOKES

Senator LAUTENBERG. Just to clarify the hub and spoke concept, how does the hub and spoke reference develop as a barrier to entry into the marketplace?

Mr. MEAD. James?

Mr. NOEL. Mr. Chairman, basically what happens is an airline will establish a hub at an airport and bring traffic in from the outlying areas—spokes, concentrate that traffic on fairly large planes, and then ship it out to perhaps more desirable or larger locations. It is very efficient for them to operate that way and raises the cost to any new airline that might want to come into the market because they would have to essentially build a duplicate system in order to operate as efficiently and make the same level of profit as the existing airline.

Senator LAUTENBERG. Doesn't it inure to the passenger's benefit? A lot of these short connects—call them spokes, if you will—just are not profitable without some kind of good connecting service. So, isn't it a little bit unreasonable to say that if the passenger can obtain the service this way, that we ought to eliminate it for fear of lack of a competitive environment? I mean, the thing that Senator D'Amato was talking about: a lot of the smaller communities are well-served by the hub and spoke definition. Is that not so?

Mr. MEAD. You are quite correct. I think hubs and spokes are here to stay. It is good for the airline and it is good for the consumer and translates into benefits in terms of the routing efficiencies that you described, as well as prices. The point is that when you have an airport where you already have two or three competing carriers, you want to think very carefully about what the impact is going to be of letting those carriers merge. So, hubs and spokes are here to stay.

Senator LAUTENBERG. What you are proposing the Department think about is perhaps a connect into a major center and some kind of facility to expedite a connection to any of the larger carriers that would take

them on to the next major destination. Is that a possibility? I mean, otherwise I am having a problem in criticizing something that may, in fact, present the airline passenger with an opportunity.

Mr. MEAD. Well, it is not the hub and spoke system that should be criticized. Our point is that if you have two competing carriers at a hub airport, when those two carriers want to merge together so that you would only have one carrier, the decision maker would want to focus on whether the merger would create such big barriers to entry that it ought not be approved.

CONSUMER AFFAIRS

Senator LAUTENBERG. That's the essential problem of the non-contested marketplace. I don't know about the hub-spoke thing. It is a device, obviously, for concentrating the marketplace. But I think we ought to be looking more at the results of closing out a marketplace from the major airport or the major opportunity that will deny the airline passenger the kind of freedom of choice that they might get otherwise.

What do you think caused the complaints—I guess some of it is obvious, but I would like your view—to rise more than threefold from the 13,000 figure in 1986 to almost 45,000 last year? We asked DOT last year if they could find ways to more accurately encourage communications from the public at large and how they felt about the airline industry, and we don't know whether it was simply more availability or whether there was a decline in service or problems with the airlines.

Mr. MEAD. In 1986, I believe there was a 14-percent increase, and there was a 10-percent increase in enplanements. Clearly, the spike from 13,000 to 45,000 in 1987 cannot be explained by an increase in enplanements any longer. I suspect, Mr. Chairman, that there was some disruption—coordination problems—as a result of some of the mergers. In fact, if you look at where the complaints are coming in, they are coming in response to some of the airlines that have merged in the last couple of years.

Second, I believe consumers are more aware of their rights, and I also believe at a personal level that service hasn't gotten much better.

Senator LAUTENBERG. Did GAO find any evidence that DOT encouraged people to find their way to the complaint bureau or were they kind of just sitting by and waiting for the phone to ring? Do you think that accounts for a significant part of the increase in complaint calls?

Mr. MEAD. The fact that consumers are complaining is better publicized today than in prior years. However, we have not seen evidence of the types of outreach activities that were suggested I believe by you last year.

Senator LAUTENBERG. DOT testified last year that they did call back consumers and contacted them with a resolution of their problems. They said that less than 2 percent of the cases handled in 1986 were still outstanding at year's end. How does that strike you?

Mr. BURROS. Senator, DOT last year did call back some consumers mostly to check up on the detailees they had working for them to

handle the increase in consumer complaints. It was not systematic. They no longer call back consumers to find out if they were happy with the way DOT settled the problem.

Senator LAUTENBERG. Do you have any idea of the volume, the percentage, whatever, of the followup actions that were taken in response to the initial complaint?

Mr. BURROS. I'm not quite sure I understand your question.

Senator LAUTENBERG. Was there an aggressive followup campaign, casual, minuscule?

Mr. BURROS. The way it was described to us, Senator, there would be some complaints lying on the edge of the desk. They would be picked up and the people would be called back.

Mr. MEAD. It doesn't appear to us to be very extensive, and we further believe that they ought to go about this more systematically. Obviously, they can't check out all 44,000, but you could take a sample of those and report back to you on how effective their complaint-handling process has been.

Senator LAUTENBERG. We talked last year about the fare advertising. It seemed anything but fair. What has happened in this area over the last year?

Mr. MEAD. Well, several things. First, this past year the rules were relaxed somewhat to allow what is called unbundling so that advertisers are able to footnote things that formerly would have been stated as part of the fare, for example, staying over at hotels, if a hotel was part of the package deal.

Second, we are aware that the state attorneys general are very concerned about advertisements in the bait and switch category. And we have an example here that we would like to share with the committee.

Senator LAUTENBERG. You have to read it out because the people behind you can't see it and the record won't reflect the visual.

Mr. BURROS. We found this in the Washington Metro, and it says: 11 California cities, $124, the name of the airline, and significant restrictions apply. We called the airline trying to get the $124 fare, and were informed that it was not available. So, this is an example of what the state attorneys general have been complaining about, an advertised fare that is simply not available. It may only be bought as a round-trip. So, the actual fare is $248.

Senator LAUTENBERG. From where? What is the departure place and what is the destination?

Mr. BURROS. We assumed that it was Washington, DC, and that is what we requested.

Senator LAUTENBERG. Was that ad found here in the District area?

Mr. BURROS. Here in the Washington Metro system. As a matter of fact, we found it going to the DOT building.

Senator LAUTENBERG. Is it suggested there—does anybody know—whether that is a stop in each of 11 cities, a choice of 1 of 11 cities? I don't know why anyone would want to rush out there and stop at 11 cities. An airport is an airport. Is anyone able to have an explanation of that that just tells us what it is?

Mr. BURROS. No; when we called, we simply asked to go to Los Angeles, and said, well, what about all the other 11 cities. Is it $248 for those as well? And we were told yes.

We then called the Department of Transportation's aviation enforcement proceedings people to inform them that this ad was running and that we believed, on the basis of the guidelines and on the basis of their rules, that it was a violation. And they said that even under DOT's rules—their words—this ad was a violation of advertising rules.

Senator LAUTENBERG. Was.

Mr. BURROS. Was.

Senator LAUTENBERG. And you say that that fare didn't exist at all?

Mr. BURROS. You cannot fly out to California at the $124 fare and take a train back. You must pay the full round-trip fare of $248.

Senator LAUTENBERG. So, you have to buy the round-trip package.

Mr. BURROS. The whole package.

Senator LAUTENBERG. But it's $124 one way.

Mr. MEAD. That's the implication.

Senator LAUTENBERG. As long as you buy it both ways.

Mr. BURROS. That's right.

Mr. MEAD. Right.

Senator LAUTENBERG. They ought to divide it in quarters and say, well, you get halfway there for $62. If you want the full trip, then you have to pay the full fare.

Mr. MEAD. This is an area that we feel bears watching.

Senator LAUTENBERG. I would say that is a fair assumption.

AVIATION DATA BASES

Has the data base problem that you talked about improved or does DOT still lack the data that it needs to fulfill its oversight responsibilities?

Mr. MEAD. It is getting there. By the fall, they expect to have things running normally.

I might add, Mr. Chairman, that in doing the job that you think that we should do, examining the consequences of some of these mergers on fares and routes and so forth, we had intended to rely on the Department of Transportation's data. We no longer can and at some expense we are going to have to go to the private sector to collect this data.

Senator LAUTENBERG. I would hope—and I have already asked for it—that we could get a study of what has really happened with airline fares in relation to airline costs and service because we don't know whether or not the passenger today is really better off than they have been. It is so hard to get your mitts around what passengers are really getting for their dollars. And with the change in fuel costs from that very high cost period, food costs, all of those things, it seems to me that we are not quite understanding what the passenger really gets when they buy an airline ticket. It is a study that we are going to ask either DOT or the appropriate agency to do so that we can get this informa-

tion once and for all and stop the debate about whether or not deregulation has delivered all of its promises.

I would ask, if you would, to stay around in case we have questions. We thank you very much for appearing.

Mr. MEAD. Thank you, Mr. Chairman.

DEPARTMENT OF TRANSPORTATION

OFFICE OF THE SECRETARY

STATEMENT OF JANET HALE, ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS

ACCOMPANIED BY MATTHEW V. SCOCOZZA, ASSISTANT SECRETARY FOR POLICY AND INTERNATIONAL AFFAIRS

OPENING REMARKS

Senator LAUTENBERG. Ms. Hale, Mr. Scocozza, welcome.

Ms. Hale, before you begin your testimony, I want to take a couple of minutes to reflect what we have just heard from the General Accounting Office. It is not a pleasant message. It certainly reveals some strong contradictions between the assurances given this committee by the Department and what really goes on.

Last year Mr. Burnley testified that the Department approves an airline merger or acquisition only after it is certain that it won't hurt economic competition. But the GAO just told us that the Department's approach for evaluating competitive effects of mergers and acquisitions is antiquated and outmoded. Even Alfred Kahn and others who first formulated and used the policy have agreed that it is no longer relevant. As a result, the Department approves virtually every proposed merger or acquisition that comes down the pike.

The Secretary also told us that his Department really didn't want the job of overseeing mergers and acquisitions in the first place. He said the job properly belongs in the Justice Department. But what happened when the Justice Department recommended disapproval of three separate mergers, because of major anticompetitive effects? The Department of Transportation set aside the Justice Department's concerns and gave unconditional approval to all three. Obviously, if the Justice Department had had the jurisdiction in these three cases, they would not have been approved. And what has been done in those cases, obviously, can't be undone.

Also, last year we raised concerns about the quality of the Department's consumer protection program in aviation, and sure enough, we were told by the Department that the program was effective. Complaint backlogs were being reduced and an effort to review and strengthen consumer regulations was under way.

But I conclude from what GAO told us that the program is in not such hot shape. There is apparently almost no enforcement, and what little there is has almost no relationship to consumer complaints. And

moreover, even if it wanted to, the Department couldn't gauge the effectiveness of what it does do in this area.

Let's look at one issue referred to by GAO that has plagued thousands of air travelers. As the number of delays and complaints was reaching an all-time high, the Office of the Secretary launched a so-called special investigation into airline scheduling. The airlines were blaming the air traffic control system, and the Department was blaming unrealistic flight schedules.

Now, what has happened as a result of the Department's bold move? The Department pounded on the negotiating table and forced six airlines to agree to an ontime performance standard that was actually below what the airlines were already providing. And so, the consumer took it on the chin again. Now, that is what I call getting government off of people's backs.

Just the other day, the news was filled with announcements by the Secretary of another special inquiry, this one involving Texas Air and its Eastern Airlines and Continental Airlines subsidiaries. The whole basis for this special inquiry itself raises some bothersome questions that beg for answers. For example, what, if any, fitness evaluation did the Department make at the time it approved the formation of Mr. Lorenzo's empire? And why did the Department wait until now to order a special inspection of an airline it fined $9.5 million for persistent safety violations in 1986? And if there are no safety problems, as the Secretary states, then why is FAA inspecting every aircraft? When you buy a ticket and you board an airplane, there shouldn't be any confusion about whether or not conditions are safe.

We are going to talk about this this morning, and the committee will continue to follow the Texas Air inquiry until it is concluded.

Now, Ms. Hale, we invite you to give your testimony.

STATEMENT OF JANET HALE

Ms. HALE. Thank you, Mr. Chairman.

I am pleased to have the opportunity to appear before the committee to discuss the fiscal year 1989 budget for the Office of the Secretary. Sharing that honor with me today is Assistant Secretary Matt Scocozza, and between the two of us, we will try to address all of your concerns.

I would like to take a personal moment and express Deputy Secretary Mimi Dawson's appreciation of your understanding of her not being here today.

Senator LAUTENBERG. I understand that she had a major event.

Ms. HALE. A major event. The baby boy is doing fine. I think the mother is a little tired. Anyway, again, thank you very much for your understanding of her circumstances.

BUDGET REQUEST

For the Office of the Secretary, we are requesting a budget of $68.6 million, including $58.2 million for salaries and expenses; $6.7 million for transportation planning, research and development; and $3.7 million

for the working capital fund. We are not requesting appropriations for the Essential Air Service Program and are reducing the EAS staff consistent with the administration's proposal to terminate that subsidy. Overall, we are proposing to provide for uncontrollable cost increases including 2 years of GSA rent and the salary increases for both fiscal years 1988 and 1989 for the employees of the Office of the Secretary.

We are providing for expanded responsibilities for the Commercial Space Office with additional staffing and research funds, fully funding staffing and other offices of the Secretary to levels that were authorized but not funded in the 1988 continuing resolution or, most important, not funded because we had to absorb the pay increases and other nondiscretionary costs.

Finally we are adequately funding programs scaled back in 1988 due to reduced appropriations, including the aviation information system that GAO has just testified to, and the Minority Business Resource Center.

Our total budget of $3.8 million for the Commercial Space Office is necessary to deal with the rapidly expanding private sector activity. Contracts have already been signed to launch 13 satellites beginning in 1989. And we have applications pending for 15 more. This office must develop the capability for the preapplication review and licensing that are the responsibility of the Department of Transportation.

PREPARED STATEMENT

This concludes the highlights of my statement, and as I said, we are prepared to answer any of your questions. I would request the full statement be submitted for the record.

Senator LAUTENBERG. Without objection, we will accept the full statement.

[The statement follows:]

STATEMENT OF JANET HALE

Mr. Chairman and members of the Committee, I am pleased to have the opportunity to appear before your Committee to discuss the fiscal year 1989 budget request for the Office of the Secretary.

We are requesting an appropriation of $58.2 million for Salaries and Expenses of the Office of the Secretary, together with $6.7 million for Transportation Planning, Research, and Development, and $3.7 million for the Working Capital Fund. Again this year, we are proposing no program expansions, except in the Office of Commercial Space Transportation.

SALARIES AND EXPENSES

The Salaries and Expenses appropriation, at $58.2 million, will provide for the overall management and direction of the programs of the Department. The entire increase of $6.3 million from the fiscal year 1988 program level is required to fully fund positions already authorized, including some left vacant due to 1988 funding reductions; to meet increased pay costs enacted or expected to be enacted by the Congress; and to meet cost increases in non-personnel areas.

Approximately one-third of the total increase provides for higher personnel costs, including $1.4 million for the full year cost of the January 1988 pay increase and three-quarters year cost of the anticipated January 1989 pay adjustment. $1.2 million is included for within grade increases, merit pay increments and awards, and to permit filling existing positions at normal employment levels. Total staffing funded directly by the Salaries and Expenses appropriation is proposed at 687 positions in 1989, a net reduction of 11 positions from the 1988 level. Because we propose to lift stringent 1988 hiring restrictions, however, there will be a net increase in average employment of 17 FTE.

The proposed termination of the Essential Air Service function eliminates 20 positions (13 FTE) and provides over $700 thousand to help offset other personnel cost increases, including an additional 8 positions for the Office of Commercial Space Transportation. This office was established in 1984 within the Office of the Secretary to encourage and promote commercial expendable launch vehicle activities by private sector companies. Future licensing operations conducted by this office will require pre-application consultation, as well as review and licensing of launches, new sites, and those payloads falling within DOT's review authority.

Non-personnel cost increases of $4.39 million are anticipated for such items as General Services Administration building space rental which was frozen at the 1987 level this year; ADP services; postage; telephone service; and other housekeeping services billed through the Working Capital Fund. Our fiscal year 1989 Salaries and Expenses request also includes $3 million of new authority for continuing support for the Minority Business Resource Center (MBRC).

We urge the Committee to provide a single appropriation in fiscal year 1989 for Salaries and Expenses to avoid unproductive staff time now needed to reconcile monthly employment levels and related obligations to 16 separate statutory dollar limitations. We intend to be responsive to new challenges, responsibilities, and reporting requirements in our oversight of Transportation programs, including those laid on by this Committee, but to do so, the Secretary requires some flexibility in the allocation of his staff resources.

TRANSPORTATION PLANNING, RESEARCH, AND DEVELOPMENT

Our request of $6.7 million for Transportation Planning, Research, and Development includes $3.6 million for contract studies and research to

support analysis, planning, and critical policy issues in the Office of the Secretary and for university research. The request also includes $3.1 million for research and development activities in the Office of Commercial Space Transportation to support its regulatory, safety, environmental, licensing, and policy responsibilities.

Since the President's announcement that routine commercial satellites would no longer be launched by the space shuttle, private sector participation has been growing. Commercial contracts have been signed to launch thirteen satellites beginning in 1989 and launch reservations have been solicited for at least fifteen more. A strong American leadership in commercial space transportation services would translate into significant gains for our economy. We are committed to do everything possible to help American firms compete in the world market for commercial space services.

In order to prepare for the anticipated increase in activity, additional research is needed to develop performance based safety standards that will guide the formation and growth of a rapidly emerging and technologically complex space industry, while effectively protecting public safety.

PAYMENTS TO AIR CARRIERS

The Essential Air Service program, created by Congress in 1978 to subsidize air service to certain small communities, was originally scheduled to expire in October, 1988, but the authorization was extended by a provision in PL 100-223. We intend to propose legislation to terminate the program at the end of the current fiscal year. Many of the affected communities have been served by expanded new commuter-class air service without reliance on the EAS program. In a large percentage of the currently subsidized communities, the taxpayers are contributing more than the passengers, and many of the communities with the highest per passenger

subsidy are the ones closest to alternative air service. About 50 of the 70 communities that are at risk of losing their subsidies are within 75 miles of unsubsidized airports.

WORKING CAPITAL FUND

An obligation limitation of $135 million is proposed for the Working Capital Fund, which provides for expenses necessary to maintain and operate common administrative services in the Department. This increase of $7 million over the 1988 level is primarily due to increased costs for Department-wide services, such as GSA space rental, communications, utilities, and building maintenance. Staffing financed by the Working Capital Fund is being maintained at the 1988 level of 309 positions.

We are also proposing an appropriation to the Working Capital Fund of $3.7 million for FY 1989. Of this amount, $3.4 million is required for continued development of the Departmental Accounting and Financial Information System (DAFIS). These funds will be used to continue conversion efforts, including necessary programming and testing.

The remaining $300,000 is required for building alterations necessary to comply with the Federal Government's space reduction program. To vacate space in quantities large enough to be turned back to GSA, extensive alterations will be necessary to consolidate, move, and relocate offices. It is unclear at this time whether DOT will remain in the Nassif Building (as well as FOB 10A and the Transpoint Building) since GSA has sent a prospectus to Congress which could lead to consolidation of all DOT headquarters functions into a single new facility. Our budget estimates assume that the Department will stay in the Nassif Building, and that this funding will be used to further implement the space reduction plan.

ICC SUNSET

Legislation has been proposed by the Administration to sunset the Interstate Commerce Commission at the end of fiscal year 1988 and to transfer virtually all remaining jurisdiction for regulation of railroad freight rates, services, practices, and abandonments to the Department of Transportation. The President's Budget includes a proposed future transmittal, tentatively under the OST heading, for $16.9 million and 248 positions, contingent on enactment of the legislation.

This concludes my prepared statement, Mr. Chairman. I would be glad to respond to the Committee's questions.

Biographical Sketch

Matthew V. Scocozza

Matthew V. Scocozza was nominated by President Reagan to be Assistant Secretary for Policy and International Affairs of the Department of Transportation in August 1983, and was confirmed by the U.S. Senate on September 25, 1983.

As Assistant Secretary for Policy and International Affairs at the Department of Transportation, Mr. Scocozza serves as the primary advisor to the Secretary on issues of national and international transportation policy and is responsible for ensuring that transportation policies are developed in concert with other national goals.

With the sunset of the Civil Aeronautics Board on December 31, 1984, Mr. Scocozza assumed responsibility for virtually all of the CAB functions which transferred to the Department, including domestic and international airline economic licensing, international aviation negotiations, antitrust functions, oversight of the Essential Air Service Program, the employee protection program and overall airline economic rulemaking authority, including consumer protection rulemaking.

From January 1982 until August 1983, Mr. Scocozza served as Deputy Assistant Secretary of State for Transportation and Telecommunications. He was also chief U.S. Negotiator for international transportation and telecommunications delegations to bilateral and multilateral conferences and negotiations.

Prior to that appointment, Mr. Scocozza was Senior Counsel to the Senate Committee on Commerce, Science and Transportation. He began his government service in 1974 as a trial attorney for the

Interstate Commerce Commission's Bureau of Enforcement, where his duties included prosecuting carriers for violations of the Interstate Commerce Act.

A graduate of Murray State University in Murray, KY, and the University of Tennessee's College of Law, he also served as Minority Counsel of the Subcommittee of Transportation of the Appropriations Committee of the U.S. House of Representatives. He had returned to the Interstate Commerce Commission as Senior Attorney in the Bureau of Investigations and Enforcement prior to joining the Senate Commerce Committee in 1977.

He is a member of the Tennessee and District of Columbia Bars. He was a contributing author to Mandate for Leadership published by the Heritage Foundation Press (1980). He has also lectured extensively and published numerous articles on transportation issues. In addition, Mr. Scocozza has made frequent appearances on major and local television and radio network news and documentary programs.

TEXAS AIR INQUIRY

Senator LAUTENBERG. Thank you for the summary. I just want to make sure, as I read the full statement, that we haven't left out some of the major points in your comments, and that we have a chance to review those.

I want to talk for a moment about the Texas Air inquiry. The Secretary announced a preliminary investigation of Texas Air and its subsidiaries to determine their financial, managerial and legal fitness to operate as an air carrier. The modus operandi of Texas Air and its management has been established and known for some time. However, the committee staff was informed that when the Department was evaluating Texas Air's acquisition of Eastern and People Express, the Department's experts on fitness were not even consulted.

Now, why is the fitness issue more of a concern now than it was when you approved the takeover of those airlines in the first place?

Mr. SCOCOZZA. Mr. Chairman—if I may, Ms. Hale.

Ms. HALE. You're on.

Mr. SCOCOZZA. I may be sticking my head in the guillotine, but I'm the one who signed every merger that has been approved by the Department of Transportation, and I do take serious issue with the testimony that I have heard. But I don't want to pass judgment on it because I haven't read it and I haven't seen their report yet. As a general rule, however, I would argue with a lot of the points that were raised before the committee this morning.

With respect to the Texas Air-Eastern merger, the fitness people work directly for me and they were part of my advisory panel in considering the Texas Air-Eastern merger. In the context of that particular merger, fitness issues were not brought up. Texas Air, as an umbrella company, which had Continental and a small commuter within it, had almost $1.2 billion cash on hand.

When you consider fitness, there are three major areas of concern: management, and then we look into the——

Senator LAUTENBERG. How do you evaluate management?

Mr. SCOCOZZA. We consider what kind of a reputation they have in the airline industry. Do they have a reputation to follow the laws of the United States? For example, is there a chief pilot who is duly authorized to serve in that particular function?

Senator LAUTENBERG. Follow the laws of the United States? What do you mean? The fact that they haven't been in jail?

Mr. SCOCOZZA. If somebody is a convicted criminal and wants to start an airline, that raises serious questions with respect to their management acceptability. A lot of times these questions are put before an administrative law judge to assimilate the facts in a particular case, but the management review is one. And it is a very general review from an economic standpoint.

From a safety standpoint, the FAA gets into management in a very detailed way in terms of looking at the chain of command for safety. How, in fact, the chief pilot has a system answerable to him in the quality control method that he follows.

On the finance side, is the airline properly financed? Are there enough assets in the airline to support operations, to cover any liabilities it may have to any of the passengers? That is what we do on the fitness side.

And compliance disposition. Do they have a good record of following the laws of the United States?

In the Texas Air-Eastern situation, it appeared that in all cases the Texas Air family had relatively high marks. On the management side, on the finance side with $1.2 billion in known cash reserves at the time——

Senator LAUTENBERG. How about their obligations? Was there offsetting debt for that? Had there been recent financings that gave them that kind of capital while the debt ratios changed drastically?

Mr. SCOCOZZA. At the same time there was a lot of leveraging by the Texas Air Corp. Our Office of Economics, along with the ALJ in the public hearing, determined that even though the company was highly leveraged, it appeared to have a sound financial picture. At that time the Texas Air-Eastern merger was approved.

I would also make mention of the fact that the Texas Air-Eastern merger was one of five mergers that involved a financially ailing carrier. We have a failing carrier doctrine which has been developed by case precedent. And in many situations, if there is a failing carrier who, without the merger possibility just close doors and not operate, it overrides some of the competition concerns. We did not decide the merger on that basis alone, but Texas Air-Eastern could have fit in that category.

And if I can divert just for 1 second, when we talk about the 20 mergers that were approved before the Department of Transportation—and I'll get into the individual analyses of any one of them, if you would like.

Senator LAUTENBERG. Why don't we stay with this portion of it. Conclude your statement about the fitness issue, and then we can go on.

Mr. SCOCOZZA. As I said, at that particular time the question of financial or managerial fitness wasn't in question. No one in my fitness group raised any concerns. They do it from time to time, Senator, with respect to some mergers. They raise some questions. They independently send letters out, ask questions. If they are satisfied that the questions have been answered satisfactorily, it is not developed much further than that. Sometimes there is a question on fitness—and this was the case in a number of fitness hearings, new carriers and mergers—but the ALJ would be charged.

AIRLINE CORPORATE STRUCTURE

Senator LAUTENBERG. How about corporate structure? And I'm asking you this without having either a bias or perhaps even knowledge. It just occurred to me that perhaps this is a new structure where a parent company has these various operating subsidiaries who are operating airlines. Is that a fairly new thing in the airlines business?

Mr. SCOCOZZA. I wouldn't say it is new, Senator, because prior to that particular merger consideration, Texas Air had operated Continental as a separate, wholly owned subsidiary, as well as New York Air. USAir for many, many years, formerly operating as Allegheny Airlines, had a subsidiary, Allegheny Commuter. Today they still operate as Allegheny Commuter and USAir. USAir also has within its structure the Pennsylvania commuter airlines, PSA. So, there were precedents.

Senator LAUTENBERG. Right. Again, I think it is important to understand these things.

Has there been an example of where we had one corporate kind of holding or management company with major airlines and we had some idea of what might happen because it all tied into the financing structure and the management structure? If you have a competent body at the top with sufficient financial reserves, does that necessarily work its way through each one of these separate corporate entities?

How far did you go in examining the structure? We talked about financial management issues. We also talked about legal fitness. What defines the legal fitness?

Mr. SCOCOZZA. This was the charge, Senator—your first question—with respect to managerial competence and the umbrella and the subsidiaries. The only example I could think of before this was Continental itself. It had New York Air as a subsidiary. And there was a transfer of assets and planes between the two companies.

The ALJ, the administrative law judge, in this——

Senator LAUTENBERG. They merged those, however, into one operating unit?

Mr. SCOCOZZA. Into one on merger day, yes.

Senator LAUTENBERG. Right. So, this was not the usual subsidiary relationship, the protected corporate entity?

Mr. SCOCOZZA. Right.

We have an instituting order that always starts a merger proceeding. That is given to the administrative law judge. In the context of several weeks of hearings before the administrative law judge, he—and I don't say she because we don't have any female administrative law judges—was charged with the responsibility to find out exactly where New York Air would be in the structure. And the carrier, Continental, Texas Air, would have to justify its new management structure, explain to the administrative law judge in an open hearing with the benefit of cross-examination by petitioners from other carriers as to why it was proposing to merge the way it was and how its corporate structure would be set up. The administrative law judge in that particular proceeding blessed the structure with the merger of New York Air into the Texas Air community, and Eastern Airlines being held out as a separate, wholly owned subsidiary.

Senator LAUTENBERG. It raises some interesting financial questions because I assume that part of a lack of interest by other major carriers was the fragile financial condition of each of these. I don't know that any of them were really a prospering airline before they were acquired.

Mr. SCOCOZZA. Some the smaller ones were, Senator, and I speak of PBA and Britt. They were successful at the time.

Senator LAUTENBERG. I raise my eyebrows only because I use that airline frequently, and they always seem to be struggling with equipment and so forth.

Mr. SCOCOZZA. If I recall, I believe Britt was bringing in about $2 million profit a year.

Senator LAUTENBERG. So, what we saw was a lack of appetite by acquirers for these airlines, and it may have been reserved for the imaginative funding of these things that, obviously, Mr. Lorenzo possesses. He's a very clever fellow.

But if the normal business process that says when a company cannot meet its obligations it files for a reorganization or bankruptcy was followed, that might then have preserved the opportunity for a restructuring of these airlines which could have kept the competitive factor that I think is now lacking. We use Continental as an example only because of its size, not accusing it of either worse or different performance than others in the airline industry. That is judged by reports that come out on a continuing basis.

We do know that Texas Air has substantial financial difficulties right now. Those losses are not easy to absorb. It's something over $400 million, and each of the subsidiaries are also operating with fairly large losses. And the question is, how you finance those?

I'm not concerned about the shareholders in this case. I'm concerned about the traveling public. I'm concerned about their standing as creditors, if an airline does resort to bankruptcy protection, whether or not those who purchased tickets are left out of the equation. Do they have a prior standing? That's something we have tried to do, but I don't know that it has happened at this point. There is no way that

those tickets would be honored by others in the industry. We have talked, I believe, about establishing a fund.

Mr. SCOCOZZA. There isn't a legal responsibility, Senator, but in many cases when there had been a failure—for example, when Air Florida failed—other carriers honored the tickets. They didn't have to, but they did providing goodwill to passengers with the expectation that the passengers might patronize their company.

But there are some protections for consumers if they purchase their tickets through a travel agency that has a default protection plan or provides the insurance for it, or if they purchase their ticket with a credit card.

AIRLINE FITNESS

Senator LAUTENBERG. If you had to do the same evaluation now, would the fitness portion of your consideration get a higher concern or more stringent review than it did at the time? Is there anything about the industry, in general, that says we now have to look at different criteria?

Mr. SCOCOZZA. Well, I think there is. If you are looking at a particular merger, Texas Air-Eastern for example, and then shortly, 1 month later, it was Texas Air/People Express/Frontier Airlines/PBA/Britt, at that particular time, that 2- to 3-month period, we were looking at a healthy carrier with $1.2 billion in cash reserves, that had demonstrated managerial expertise able to turn around carriers who had no other alternative. Nobody wanted them. It appeared that 14,000 workers may be out of work and this was the only hope for these two operations.

Hindsight is always better than foresight, but I think it is important to look very closely and to charge specifically the administrative law judge with the managerial issues that we have learned from the Texas Air-Eastern merger, as well as a number of other mergers that didn't fare very well, for example, Northwest Republic. There were a lot of serious management problems that came from that merger because of the way in which it was, in fact, merged. I know our ALJ's and I know we are more prone to ask more specific questions and more detailed questions that really weren't issues previously considered before the Civil Aeronautics Board.

But with respect to merger analyses—and this is where I indicate that I do have a problem with what I heard from the gentleman who preceded us and indicated that we don't base our merger policy on the theory of contestability. That is a textbook theory that was applied a long time ago. And I really question whether Alfred Kahn or Elizabeth Bailey or Michael Levine have totally turned their back on contestability.

CONTESTABILITY ANALYSIS

Senator LAUTENBERG. What do you base it on? What is the point of the review other than to say there is soundness out there? Are you concerned about the antitrust implications or the monopoly implications?

Mr. SCOCOZZA. Exactly. I sat down with a number of representatives of the GAO over a year ago—I can't even remember the date—and I indicated that our primary review is a functional analysis. For example, we cut every city pair apart. The latest merger is USAir-Piedmont. We look at every individual city pair, Washington, DC to Syracuse.

Senator LAUTENBERG. As I remember the structure of those airlines or the routing of those airlines, they were not in the same routes typically. This extended the route service of the merged company.

Mr. SCOCOZZA. Well, in that particular merger there were a number of city pairs that were overlapping, and under our competition analysis we do look at those overlapping markets to determine what the impacts would be on the people in Syracuse, on the people in Philadelphia, the people in Pittsburgh, the people in Charlotte, NC. We pull every conceivable market apart, and we look at every conceivable market barrier that may exist there. When we are able to ascertain what conceivable barrier may exist, we charge the ALJ to specifically pull that apart in the hearing, and we leave the door open for the ALJ to develop the record, as well as opposing parties to come in and develop the record to show the existence of any anticompetitive impact they believe.

AIRLINE MERGERS

Senator LAUTENBERG. How about the New York Air-People Express acquisition or merger?

Mr. SCOCOZZA. Texas Air-Eastern was an example of how we pulled every city apart.

Senator LAUTENBERG. But what happened there? They were servicing a couple of the busiest marketplaces in the world, Boston-New York, New York-Washington competing flights. Newark had more than one carrier offering service there. That merger eliminated essentially any competition from Newark to Washington and Newark to Boston.

Mr. SCOCOZZA. The question in that particular merger is what is the quality of service from Washington to New York City, all three airports, and to Boston because the merger of New York Air and Eastern, as well as Continental, into one family posed competitive problems for the people in Washington, New York City, and Boston. We pulled everything apart and found that the merger of the two shuttle companies was clearly an anticompetitive impact, and the service to Newark was an anticompetitive impact as well. And we turned the merger down, literally signed a dismissal order and sent it back indicating that we were not satisfied that Pan Am—who came forward in the merger saying that they were going to mount a head-to-head shuttle so there was a competitive edge and the merger should be approved—we still turned it down because Pan Am——

Senator LAUTENBERG. How did we get to where we are in Newark, let's say, Newark to Washington? I mean, we only have one carrier from Newark to Washington.

Mr. SCOCOZZA. There are other carriers that provide service not on the level that Continental does from Washington to Newark.

Senator LAUTENBERG. Washington National to Newark Airport?

Mr. SCOCOZZA. Washington National to Newark, there are other carriers that provide service.

Senator LAUTENBERG. I don't think so. Does anybody know?

Mr. SCOCOZZA. I believe TWA has a service, and American has a service in there.

One of the things that we have done——

Senator LAUTENBERG. You forgot your New Jersey roots, Mr. Scocozza.

Mr. SCOCOZZA. I've been away a long time, Senator.

One of the things that we do is we look at markets as a whole. We look at all three markets, and then we just pull those markets apart. When we did do the merger—and once again, I remind you that the failing carrier doctrine was there as a catchall if, in fact, we found that the overriding concerns were too much—we felt that the shuttle from Washington to New York City, LaGuardia to Boston, was that overriding, anticompetitive impact. And we turned it down because the quality of the Pan Am service was not an hourly shuttle and would not have provided the people in the three communities the quality of competition against the Eastern shuttle that they enjoyed with New York Air. The managers of Texas Air-Eastern decided to give up the extra slots to Pan Am to mount a head-to-head.

Senator LAUTENBERG. From New York to Boston?

Mr. SCOCOZZA. And Washington to New York.

Senator LAUTENBERG. So, you were satisfied that there would be more than one carrier competing for that traffic.

Mr. SCOCOZZA. Right. And we were also satisfied that the quality of service between——

FITNESS OFFICE

Senator LAUTENBERG. I would urge you to look at the Newark-to-Washington route. I think the only competing service with Continental is Amtrak. I don't think there is any other service from Newark to Washington National. And I'm a frequent flyer, also frequently delayed, though I must say service is getting better. But take a look at the competitive aspect there.

Do you routinely go to the Fitness Office when you are looking at a merger, or do they jump forward and say, "Hey, we see something here that we don't like?" What is the process? Are they included in a loop that gets touched before the decision is made?

Mr. SCOCOZZA. They are full participants in all merger analyses before the Department. One of the things that I would point out is that the director of the office, Mr. John Coleman, who has the fitness branch within his office, serves as a special advisor to the public counsel who acts as an independent advocate on behalf of the traveling public in all merger proceedings. In that particular situation, Mr. Coleman has access to the Fitness Office as I do. Because Mr. Coleman and I can't talk because he is working for public counsel, he has access to the quality of the people down below, and certain people are available to me, as well as certain people available to him.

So, the fitness side is looked at from two directions: from a public counsel perspective, with a cadre of career civil servants who are working on behalf of the general public separate and apart from me and all the other decisionmakers, as well as myself on the inside and the ALJ. So, the fitness issues and access to the people with the fitness expertise are there all the time.

AIRLINE FINING

Senator LAUTENBERG. We understand the access is there. The question is whether they are routinely asked to participate.

The Secretary and Mr. McArtor, the Administrator of FAA, both have said that there is no real safety problem with respect to the operations of Eastern and Continental. This presumably applied to other Texas Air subsidiaries as well. Mr. Burnley was quoted in the Washington Post April 14 as saying, "If we thought there were reasons for concern for safety, I'd yank their certificate to fly and Mr. McArtor would ground them."

If there are no significant safety problems, why is FAA fining Eastern $800,000 plus? Prospectively, we expect Continental to get a fine of some million. And why is FAA conducting a special inspection of all of these airlines' aircraft?

Mr. SCOCOZZA. Mr. Chairman, a year ago and before the merger, Eastern Airlines was assessed a little bit over $9 million in fines. That was not when it was part of the Texas Air family. Shortly after the merger, Texas Air satisfied the fines and indicated that they would follow up on all of the problems that were raised in that initial investigation.

Senator LAUTENBERG. Were those fines primarily violations of good——

Mr. SCOCOZZA. Paperwork.

Senator LAUTENBERG. Paperwork.

Mr. SCOCOZZA. Paperwork.

Senator LAUTENBERG. So, this had nothing to do with other than neatness?

Mr. SCOCOZZA. Paperwork, and there were some questions about the origin of spare parts, the quality control on spare parts inventories. The FAA insists that spare parts must come from an accredited manufacturer. We may call that a spare parts violation or a paperwork violation without being able to justify the origin of spare parts.

Senator LAUTENBERG. But we are not talking about paperwork in terms of type size and neat storage. We are talking about the effects of poor management of paper that result in perhaps a challenge to air safety, worthiness of the aircraft, et cetera. Is that not correct? You weren't just being nasty and saying, "Here we go; it's 9 million bucks because you haven't been neat."

Mr. SCOCOZZA. No, Senator. There have been situations where a carrier doesn't file particular forms on time, and they may be penalized for that just simply because that impedes our ability to do proper oversight and management. But that wasn't the majority of the kinds of instances that were in the $9.5 million.

One year later the FAA indicated to the Secretary of Transportation that some of the same problems that arose in conjunction with the $9.5 million fine and investigation were still there. At the same time we noticed a serious amount of financial losses being suffered by the Texas Air family.

Those two things coming together, Mr. Chairman, lend to a question on fitness because, as I mentioned earlier in my presentation, we look at management. We look at the financial portion, and we also look at compliance to the laws. Now, if you haven't maintained your records the way you promised you would a year ago, if you haven't remedied the things you promised you would a year ago, that brings into question your compliance or your disposition to follow all the safety regs and the commercial regulations of the Department. Those two things coming together, along with the financial data that we saw, merited the investigation, the 30-day, quick investigation of the Texas Air family.

Senator LAUTENBERG. I'm not sure where we came out.

Is it an indication that we have to be concerned about the safety record, the air worthiness of these airlines?

Mr. SCOCOZZA. It is hard for me to answer the question, Senator, because I am not directly involved in the safety investigation. I'm involved on the commercial side. But I will try to answer it.

What we are concerned about is the method of a monitoring program used to ensure that the carrier is in compliance with all the safety regs. Today we say the carrier is safe, and the day that Secretary had his press conference, he was satisfied, as well as the administrator, that the carrier was safe because we had a large number of FAA inspectors out there in the field and had been watching the Texas Air family for a long period of time. They were satisfied that the carrier was safe. They were not satisfied that the carrier was filing a lot of the paperwork things they had to do. They were not satisfied that some of the systems, the quality control checks they had to do, were being fixed. But they were satisfied that the carrier was safe because they were out there. And that is why we had a one-time complete review of all of the equipment, and that information is coming in relatively favorably to the carrier.

Senator LAUTENBERG. But the investigation was triggered. It wasn't because things were good. We know that they're safe. The question for me and for all of us is whether they are as safe as they could be. I mean, if you want to look at statistics, obviously aviation does very well.

But when you trigger off a major investigation, it has all kinds of ripple effects. It is not simply saying, "OK, we want to be sure that what we thought was true is, in fact, true because of decline in revenues in the airline." Obviously, people read these things and get concerned about them. We hope that it is not being punished undeservedly, but it is hard to reconcile the fact that there are big fines, a major investigation going on, and for everybody to say things are A–OK. Is that the impression that DOT wants to give?

Mr. SCOCOZZA. Senator, it was a very serious decision to make to have an investigation like this. But at the same time the Department was satisfied that the carrier was safe, that it was in basic compliance with all the safety regulations and rules. The investigation was to determine whether or not the carrier has the wherewithal to ensure—without day-to-day monitoring by the FAA—that they will, in fact, be in compliance.

I would just note from the press reports and public information from the FAA, that the first review of almost all the aircraft comes back with relatively favorable reports to the Texas Air family. And I believe that is good news to the carrier as well as good news for the traveling public.

AIRLINE MERGERS/ACQUISITIONS

Senator LAUTENBERG. How many merger and acquisitions involving major air carriers has the Department disapproved since January 1985?

Mr. SCOCOZZA. We disapproved the first go-around of the Texas Air-Eastern merger. We approved 17 others.

Senator LAUTENBERG. So, the disapproval was a temporary action because it ultimately got approved.

Mr. SCOCOZZA. It was a final action, and they refiled the whole merger, and it was subsequently approved.

Senator LAUTENBERG. There are no others that have been disapproved?

Mr. SCOCOZZA. There was one that would have been disapproved, and that involved a small jet carrier——

Senator LAUTENBERG. So, you discouraged them from presenting it.

Mr. SCOCOZZA. They just pulled the case back. They saw it going nowhere, and they just pulled it off.

Senator LAUTENBERG. So, the result is that all of the merger applications that were put in were approved.

Mr. SCOCOZZA. Ultimately, yes.

If I could, Senator, I said 17 mergers, 18 altogether, simply because I was excluding transfers and acquisitions of equipment that many people read as transfers. But there were 21 actions altogether under the statute. They were all approved.

Senator LAUTENBERG. It is interesting. You shouldn't have to disapprove for disapproval's sake, but the fact is that every one of these met the yardstick and you discarded the contestability theory. What was it that caused the Department of Justice to disapprove the Northwest-Republic merger, the TWA takeover of Ozark, and United's acquisition of Pan American's Pacific Division? In all three cases DOJ cited major anticompetitive effects. Yet, you approved all three with no conditions.

Mr. SCOCOZZA. We approved one of those with a condition.

Senator LAUTENBERG. Well, why was the Department of Justice so mistaken in its evaluations?

Mr. SCOCOZZA. If I could, Senator—and I'll be very quick not to waste the valuable time of the committee—as there were 21 mergers, 5 of them were commuter airlines where no one posed any opposition.

No one posed any anticompetitive impacts. Five of those mergers were end-to-end mergers where there, once again, were no anticompetitive impacts. Those mergers were approved on paper with the blessing of the Department of Justice and all parties before us. Four of those mergers involved failing carries, which brings us down to only a critical four mergers where there were competitive questions.

With Northwest-Republic and TWA-Ozark we disagree with the Department of Justice in terms of interpreting competitive access between city pairs. Now, this is actually the operating access. The Department of Justice puts high marks on nonstop direct jet service. The Department of Transportation considers one-stop direct service. It also considers connecting service when we evaluate competition between two cities. The measure is 2 years. Would it be reasonably expected that new entrants would come into the market within 2 years. The Department of Justice with their functional analysis concluded no. We concluded to the contrary that it would be expected that there would be new entrants in these markets.

For example, they expected that there would be no new entrants in Detroit, which was part of the Northwest-Republic merger. Southwest Airlines alone within the first few months after the merger was approved went from zero to 95 frequencies a week. I am relatively proud of that because we did perceive that the markets were able to be contestable. They were open. So, there is a genuine disagreement between reasonable people about a functional analysis between city pairs.

I would like to think that when Justice inherits this responsibility in January, along with some very competent people from the Department of Transportation that would go along with the responsibility, they would alter their interpretation of what is a perfectly contestable market and not a contestable market and alter their interpretation of a functional analysis.

With respect to Pan Am-United, the transfer, the Department of Justice believed that we should have taken the Seattle gateway away from United right then and there in the middle of that transfer proceeding and given it to someone. We didn't disagree with that. We did believe that it might be in the public interest to give that gateway to someone else, but we decided from a procedural standpoint, it would be better to run a case on Seattle and have all the carriers come forward and pick the best carrier for the United States in that Seattle-Tokyo market.

We are in the process of that case now. We, unfortunately, had to discontinue a case that would have been concluded last September or October, but we had to do it all over again. The public counsel recently recommended that American should have it. I can't go any further because we have to decide who will ultimately get that particular gateway.

So, we didn't disagree with the Department of Justice that the gateway should be considered to be spun out. What we disagreed with was it would be wrong for us to take it out immediately in the middle of that case and give it to someone without giving the public the full 6

months that you ordinarily have in doing an international gateway case. So, the disagreement with Justice was procedural when it came to Pan Am-United.

When it came to Northwest-Republic and TWA-Ozark, we disagreed on the functional analysis that the Department of Justice applied to Minneapolis, Detroit, and St. Louis. And I believe history has shown that our analysis was a correct one, that there are new entrants. And I would be delighted to give you some sheets to show you how there have been increases by other carriers, almost daily service by United in Minneapolis alone competing head to head with the newly merged Northwest Republic conglomerate.

Senator LAUTENBERG. Submit those for the record. As we look at this, we note that when GAO testified, they made a comment about the concentration of airline service purveyors with five of the major airlines. You don't agree with their conclusion.

Mr. SCOCOZZA. We'll submit that.

[The information follows:]

From March 1986 to March 1988, six carriers—USAir, Delta, Northwest, Piedmont, United, and Southwest—have increased their level of service at St. Louis. Although Delta's and Northwest's expansions merely reflect their acquisition of Western and Republic, respectively, the remaining four carriers implemented significant real increases. United and Southwest, in particular, have dramatically increased their St. Louis service. United has increased weekly departures from 50 to 65, and weekly seats from 3,500 to 8,000, more than double. Southwest's expansion has been even more dramatic, having increased weekly departures from 109 in 1986 to 148 in 1988, and seats from 12,535 to 18,911. In addition, Braniff has been a significant new entrant at St. Louis, offering 14 weekly departures and 2,240 seats. Together, the three carriers' share of St. Louis capacity has grown from 4.1 percent to 7.4 percent.

At Minneapolis/St. Paul, nine large carriers—American, Continental, Delta, Midway, Pan American, Piedmont, TWA, United, and USAir—have increased service since 1986, and Braniff has also entered the Minneapolis market. Although Continental's, Delta's, and TWA's increased service levels merely reflect acquisition of People Express, Western, and Ozark, respectively, the remaining carriers have increased service significantly, particularly Pan American, Midway, and United. Pan American has increased departures four-fold, from 7 departures per week in 1986 to 28 in 1988, and weekly seats over six-fold, from 665 to 4,060. Midway has increased weekly departures from 58 in 1986 to 65 in 1988, and seats from 5,482 to 7,475. United has grown from 71 weekly departures and 10,254 seats in 1986 to 116 departures and 14,853 seats in 1988. Moreover, Braniff's entry has added 13 weekly departures and 2,080 seats. Together, these four carriers' share of total Minneapolis/St. Paul capacity has grown from 5.7 percent in 1986 to 9.7 percent in 1988.

With respect to fares, while data on actual fares paid is not yet available, a random sample of TWA's and Ozark's published fares at St. Louis indicates an average increase in full coach fares of about 6 percent from April 1986 to April 1988, or 3 percent per year. This is generally consistent with overall national inflation levels. At Minneapolis/St. Paul, a similar random sample of Northwest's and Republic's full coach fares shows a decline of about 11 percent over the same period, a significant decrease.

Senator LAUTENBERG. Last year at this time, nine of the largest air carriers controlled 94 percent of domestic scheduled air service. What is the market share of those nine this year?

Mr. SCOCOZZA. I think that is a current market share analysis, Senator. I may be mistaken.

Senator LAUTENBERG. So, nine of them control 94 percent.

Mr. SCOCOZZA. I believe in 1978 it was close to 80 percent by eight. And now it is nine having 94 percent.

You know, I wouldn't argue the statistics, but I would suggest that having nine carriers competing head to head in virtually every major market in the United States is better for this country and the travelers than eight carriers who had selected markets in 1978. In other words, they had virtual monopolies over certain geographic regions of the United States. USAir was not allowed in some quadrants.

Senator LAUTENBERG. Unfortunately, the matrix doesn't really tell the full story because, again, there are marketplaces like you talked about in Minneapolis-St. Paul. What is the percentage of traffic carried by a single carrier up there?

Mr. SCOCOZZA. I believe Northwest after the merger had almost 82 percent of that particular market. But, once again, Senator, that was before Southwest Airlines alone went from zero to 95 frequencies a week. I would be delighted to give you a comeback on the change in the market shares for those individual markets, but it shows the marketplace is working. New carriers are infiltrating, and it is very positive for the consumers.

Senator LAUTENBERG. The top five carry 74 percent. At some point doesn't the smallness of the number and the magnitude of the market that they control concern you?

Mr. SCOCOZZA. It does, Congressman——

Senator LAUTENBERG. Don't demote me yet.

Mr. SCOCOZZA. No, not at all.

It would concern me, Senator, if there were denied access in markets, but our markets are open. I am not going to use the theory of contestability because I have said earlier, that is just something to look at but not to be used as a guide.

The facts of life are that every major market in the United States has access to USAir that may not have had it before the merger. USAir now infiltrates the west coast. People on the west coast have access to it. So, these are very, very positive developments.

The frequent flyer programs were mentioned a little bit earlier, and it has become necessary now for carriers to have national programs. If they have a John Smith or a Mary Doe, they want to make sure they can give national service to that person so that they will stay on their system. And these are positive developments because it is forcing carriers to get into every conceivable market they can. If they can't, they will use the shared code operators, the small commuters that will use their names in their marketing.

Senator LAUTENBERG. We have a vote on. And, frankly, I would like to fairly quickly go through one sector, and the rest we will submit to you for the record. Let's turn to the Coast Guard.

The Department has requested a $60 million supplemental for the Coast Guard, and it is offset by a number of transfers and reductions in other programs. I understand it is now questionable whether these off-

sets will, in fact, achieve the needed outlay savings. What is the status of your proposal as far as the budget summit constraints are concerned?

Ms. HALE. Mr. Chairman, there are several of the Coast Guard offsets that we proposed that have now been obligated. I think the territorial highways project has been obligated and the expressway gap closing project.

A second problem has developed by how CBO is going to score those outlays. We are concerned about the CBO scoring, but like all of us, when they score, we are at their mercy.

I want to be sure to point out that if CBO rules against us and says that we can't use the whole year's outlay estimates, but must adjust it to recognize the month of obligation, we will provide the committee with information showing that this not only affects our transfers, it also affects the outlays we need for Coast Guard. And if there are any additional outlay offsets or any additional budget authority offsets needed, we want to work with the committee to be sure that it is available because we share your concern about how important that supplemental is.

Senator LAUTENBERG. We have to get the Coast Guard funded, but we can't play that Peter-Paul game here and say we'll take it from other programs that I consider vital like mass transit and Amtrak. All of these programs are important, and we need the Department's assistance.

Give us a quick view of the Department's attitude on the transfer of Coast Guard to Treasury. Do you think it would be better served there?

Ms. HALE. No, sir, we don't.

Senator LAUTENBERG. Why not?

Ms. HALE. Not only does the Department, but the Coast Guard opposes that transfer for two reasons I think primarily. One, we are a strong and very active participant in the drug interdiction area. We don't think we have to change locations in an organizational chart to continue that strong interaction. We have Coast Guard, Customs, DEA, FBI meeting daily to sort of work out operational as well as long-term policy in interdiction.

You also have to look at the multimission nature of the U.S. Coast Guard, where 76 percent of their missions are not drug related. They include pollution control responsibilities, search and rescue, aids to navigation, fisheries patrols, and defense readiness. There are so many vital missions that putting them over into Treasury, splitting them between two assistant secretaries that report to an under secretary that reports to somebody else, I am not sure that is in the best interest of the people that the Coast Guard serves.

Senator LAUTENBERG. How about their involvement in transportation, particularly marine transport? To me the Department is where it belongs. But we have to make the case arguable with some logic.

Here you are on the National Drug Policy Board. The Drug Policy Board has, I understand it, addressed the issue of coordination in drug interdiction programs. What did the board decide?

Ms. HALE. The board is on record as saying that the Coast Guard should remain in the Department of Transportation. That position was

taken in 1985 and to date there has been no change in that position. We have seen strong interaction between Customs and Coast Guard, the signing of MOU's in the last couple months to be sure that we have a unified government attack. But again, moving the Coast Guard to Treasury doesn't strengthen that in any way.

Senator LAUTENBERG. Do you think that we can continue to pursue the war on drugs leaving Coast Guard where it is, having the activities coordinated in a different forum rather than just moving them around?

Ms. HALE. That's correct, sir.

SUBMITTED QUESTIONS

Senator LAUTENBERG. We are going to conclude the hearing. Thank you for your participation today. We have a number of questions that we will submit to you for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR LAUTENBERG

TEXAS AIR INQUIRY

SENATOR LAUTENBERG: Secretary Burnley announced a preliminary investigation of Texas Air and its subsidiaries to determine their financial, managerial, and legal fitness to operate as an air carrier. The Modus Operandi of Texas Air and its management has been well established for some time. However, the committee staff was informed that when the Department was evaluating Texas Air's acquisition of Eastern and People Express, the Department experts on fitness were not even consulted. How do the conditions which triggered the massive safety checks of these two major airlines compare with conditions in other major carriers?

ANSWER: The combination of events which led to the decision to perform fitness and safety reviews of the Texas Air Corporation have not been noted elsewhere. There is no reason to believe that these conditions exist in other major carriers.

SENATOR LAUTENBERG: A number of the charges against Eastern were under Section 91.9 of Federal Aviation Regulations and involved operating aircraft in an unairworthy condition and in a careless or reckless manner which endangered the lives and property of others. This sounds like a serious safety problem to me. Doesn't it to you?

ANSWER: The charges filed against Eastern, including those charging violation of FAR 91.9 often involved Eastern's failure to document compliance with regulations or program requirements. The FAA recognizes the seriousness of a failure to show compliance with requirements, and takes appropriate action to bring the operator into compliance. Although this is serious, safety is not necessarily compromised when the only failure on the part of the operator is not to be in compliance with documentation requirements.

SENATOR LAUTENBERG: FAA is assessing Eastern only $823,500 out of total possible penalties of about $1.5 million. Many of these are the same type of violations for which Eastern was fined $9.5 million in 1986. Why is the Department going easy on Eastern in view of this record of recidivism?

ANSWER: We do not believe that DOT has been easy on Eastern or any other air carrier. The most recent civil penalty against Eastern was assessed at a level determined to assure that Eastern will correct deficiencies and come into compliance with the FAR. The purpose of the FAA's compliance and enforcement program is to assure voluntary compliance and to ensure safety and not to punish those found to be in noncompliance with the regulations. As the recently announced special inspection of the Eastern fleet, along with a fitness review of Texas Air Corporation's management and financial posture shows, the Department of Transportation will take all appropriate measures to assure the safety of the flying public.

CONSUMER PROTECTION

SENATOR LAUTENBERG: How do you explain the contradiction between the assurances we were given last year and GAO's findings concerning the consumer protection program?

ANSWER: The Department's aviation consumer protection program has served the public well. In the last year alone, a series of actions have been taken to improve airline service and reduce the level of passenger dissatisfaction:

In May 1987, the Secretary sent a letter to 36 Major, National and large regional carriers reminding them of the Department's consumer rules and policies, particularly in the areas where we had been seeing more complaints. The Secretary urged the carriers to consider developing comprehensive reeducation and training programs for all their employees to ensure they have a thorough understanding of consumer regulations and legal requirements. The Secretary also asked the carriers to assess the resources currently allocated to processing refunds, baggage claims and general consumer complaints to determine their adequacy. Representatives of the consumer office and carrier executives were to further discuss the points raised in the letter and to emphasize the commitment to consumer protection and, if warranted, enforcement actions. The Secretary sent a similar letter to travel agent organizations in August.

Since June of 1987, the Department's Aviation Enforcement Office has settled major cases with seven of the largest airlines (Continental, Northwest, Piedmont, Hawaiian, TWA, Pan Am, and United) resulting in $689,000 in civil penalties for violating a variety of Federal Aviation consumer rules. Those settlements resulted from close coordination among the Office of Consumer Affairs' analysts and investigators and the General Counsel's enforcement attorneys. A body of passenger complaints were reviewed by consumer analysts; when appropriate, these cases were transferred to the investigators for further contact with consumers. This analysis reduced the number of complaints to a core of clear violations which established a pattern of activity by an airline. This evidence was then referred to the enforcement office which commenced negotiations with the airlines, ultimately resulting in consent orders and civil penalties. The Department will continue to take necessary enforcement action against any airline found to be violating federal regulations.

In August 1987, the Department reached agreement with six airlines to curtail unrealistic scheduling practices operating at the four airports named in the January 28 investigations announcement (Chicago O'Hare, Boston Logan, Dallas/Fort Worth and Atlanta Hartsfield). The settlement agreement came as a result of the Department's investigation of scheduling during the first

half of 1987 by American, Continental, Delta, Eastern, USAir, and United Airlines.

In September 1987, the Department issued a new rule requiring 14 major airlines serving the 27 largest airports to report to the Department monthly on the number of delayed flights and mishandled bags. Carriers must also report the on-time percentage of each flight to operators of computer reservations systems so air travelers will have convenient access to this information.

Our Consumer Affairs Office has continued to be very productive in spite of a dramatic increase in consumer complaints in recent years. In 1984, the Civil Aeronautics Board handled 10,300 complaints with virtually no personal contact. Despite that rather simplified system for processing complaints, the Department inherited an almost 3,000 case backlog on January 1, 1985. In 1986, the Consumer Affairs Office handled 12,741 complaints and as of January 6, 1987 had closed 98.8% of their cases. In 1987, the consumer office handled this dramatic increase in claims without a backlog, closing an impressive 97.8% of all cases by January 11, 1988.

Our consumer protection philosophy has been and continues to be that when passengers complain, we work to solve their problems. The consumer office continues to provide prompt and thorough assistance to all those who contact the Department with complaints against airlines. All complaints received at the Department continue to be registered into a computerized complaint monitoring system, and appropriate action is taken on each of them. This holds true for those complaints sent directly to the Department by consumers, those referred to us by state and local consumer affairs offices as well as those referred to us by Congressional offices.

With last summer's dramatic increase in the number of complaints received, our consumer office began supplementing its telephone response system by sending some complainants a written acknowledgment that their complaint had been registered. As in the past, in situations where the complaint involves an area which is regulated by the Department, a consumer analyst always contacts the complainant and the airline by telephone and ensures that the carrier has resolved the complaint as required by our regulations. Complaints involving non-regulated areas are handled by providing the complainant with the name, address and phone number of an airline representative designated to provide an expedited response to passengers who have been referred to the airline by the Department.

Last year, the consumer office made hundreds of follow-up calls to such complainants to verify that the designated airline representatives were, in fact, resolving these complaints satisfactorily. Only a handful of such calls revealed the need for any further

contact with the carrier by the Department. As always, our consumer staff continues to take whatever follow-up action is required to satisfactorily resolve all complaints, regardless of whether or not they involve areas which are regulated by the Department.

In that regard, our computerized complaint monitoring system is an effective means of tracking patterns of complaints against a particular carrier or involving a particular complaint category., The closely coordinated efforts of our consumer, investigation, and enforcement units have demonstrated and will continue to demonstrate the Department's commitment to protecting the rights of airline passengers.

SENATOR LAUTENBERG: Last year Secretary Burnley told us that the informal working group on aviation consumer regulations was about to issue its report. This working group began in 1986, as I understand it. What is your current backlog?

ANSWER: As a result of the consumer office's efficient system of complaint handling and their network of expeditors at the major and national airlines, most passenger complaints continue to be resolved in a matter of hours or days. As of April 18, 1988, 1.2% of cases remaining open at the end of 1987 and 93.9% of all cases opened in 1988 were closed.

SENATOR LAUTENBERG: Has the working group issued its report? If not, why not? If so, what improvements in aviation consumer protection does it recommend? Have you proposed rules incorporating these improvements? If not, why not?

ANSWER: No. The focus of that working group was to review existing regulations and rulemakings that were pending when the Department assumed the aviation functions from the Civil Aeronautics Board in order to determine what changes were necessary to bring them up to date. Before the working group was able to complete its review, we had to divert our efforts and resources to address other major consumer issues that had arisen, such as the delay problems, consumer information concerns and CRS requirements. Furthermore, in view of the changes in the industry over the past few years, some of the issues that were under review are no longer areas of major concern, such as charter rule regulations, and we have felt it was more productive and a better use of our resources to address more current and pressing concerns.

AIRLINE DELAYS/SCHEDULING

SENATOR LAUTENBERG: The Committee was also told last year that the Department was investigating misleading scheduling practices and intended to take enforcement action if abuses were discovered.

GAO, however, has just testified that the consent decree you agreed to as a result of this inquiry set delay standards that the airlines were already, by and large, satisfying or exceeding.

How do you justify this settlement to the traveling public?

ANSWER: When negotiating the settlement agreements with American, Delta, Eastern, Continental, U.S. Air, United and PSA, the enforcement office had available on-time performance data covering the first six months of 1987 (nine months for PSA). If the standards in the settlement agreements had been applicable to routinely delayed flights during that period, the carriers would have been liable for millions and perhaps tens of millions of dollars in penalties. Hundreds of flights and thousands of operations did not meet the standard during that period.

Although it is true that many airline flights operated then and operate now on an on-time basis, many others routinely experience delays. GAO's misunderstanding may lie in the fact that even though a carrier may operate 60, 70 or 80 percent of its flights on time on a system-wide basis, many of its individual flights may still operate late 80 percent of the time or more on a routine basis. It is these problem flights, which continue to exist, that the settlement agreements are aimed at eliminating and as they are eliminated, the overall on-time performance levels should increase. As an incentive, if any flight routinely operates late more than 50 percent of the time, under the settlement agreement, the carrier will be subject to a $1,000 civil penalty for each operation not meeting the standard. For example, if a flight, which had delay problems, operates 90 times over a calendar quarter and is late 70 times (78 percent late), the carrier would be subject to a $25,000 penalty just for that flight.

The clearest indication that the settlement agreements have made a difference is the improvement in system-wide on-time performance that we have seen. Although the improvement is not entirely the result of the settlement agreements, those agreements and the warning they gave all carriers certainly helped in giving the traveling public more realistic schedules.

SENATOR LAUTENBERG: Don't you think effective consumer protection means more than requiring carriers to do what they are already doing anyway?

ANSWER: As explained above, when the settlement agreements were negotiated the carriers were not meeting the on-time performance standards those agreements contained. In fact, the Department has already been approached by several carriers who believe the standards currently applicable cannot be met for a number of flights, that massive civil penalties may become due and in certain cases individual carriers may have no way to correct the flight scheduling problems that exist. In sum, what is required in the settlement agreement was not being met when they were negotiated or even now in some cases.

SMOKING BAN ON AIRLINES

SENATOR LAUTENBERG: In 2 days, Federal law banning smoking on flights of 2 hours or less goes into effect. I am proud to have helped make that law possible and I want to be sure that things will go as smoothly as possible from the start. How has the Department assured itself that the air carriers are properly preparing their passengers for the new law?

ANSWER: Implementation of P.L. 100-202 places the responsibility on the air carrier for notification of passengers of the ban on smoking for flights of 2 hours or less. On April 13, the FAA published a final rule, to be effective April 23, that contained the regulatory requirements applicable to the carriers. Passengers must be briefed on when, where, and under what conditions they may smoke. The carrier must announce that the FAR requires passenger compliance with lighted passenger information signs and posted placards. The passenger briefing must include a statement that Federal law prohibits tampering with smoke detectors. The published regulation allows the air carrier to include more information than the minimum requirement. FAA inspectors conducting cabin enroute inspections will monitor compliance with the requirements for onboard announcements during passenger briefings, the use of lighted passenger information signs, and posting of placards.

SENATOR LAUTENBERG: Is the public being notified or otherwise alerted in advance that the law is going into effect?

ANSWER: The sensitive nature of smoking issues has generated much publicity about the statute banning smoking. Travel agents and reservations agents will have access to the schedule information necessary to determine whether flights are covered by the smoking ban. Additionally, the decision and subsequent advertising campaign by Northwest Airlines to ban smoking on all domestic flights has generated media coverage of the new Federal law. Other publicity has been generated by the passage of the California statute to ban smoking on intrastate flights. At this time, it appears that adequate media coverage is being generated on the effect of the new law.

COAST GUARD SUPPLEMENTAL

SENATOR LAUTENBERG: The Department has requested a $60 million supplemental for the Coast Guard offset by a number of transfers and reductions in other programs. I understand that it is now questionable whether these offsets will in fact achieve the needed outlay savings. (Some of the unobligated highway funds are no longer available and, according to CBO, your $116 million reduction to the highway bonus program will not save $20 million in outlays.) What do you propose to do about the problem?

ANSWER: We are prepared to offer substitute offsets as necessary to achieve the outlay levels mandated by CBO.

SENATOR: Can you restructure the Coast Guard request to reduce the costs?

ANSWER: The outlay estimate for Coast Guard's $60 million Operating Expenses supplemental was based on

spendout factors specified by OMB-CBO agreement. Since CBO has apparently decided to overlay a "time-of-year" analysis on their standard factors to evaluate proposed offsets, we can do the same for Coast Guard. For example, assuming that the supplemental funds become available August 1, FY 1988 spendout would be $21 million instead of $51 million, and if they do not become available before late August, there will be no FY 1988 outlays at all.

SENATOR LAUTENBERG: Provide for the record a table displaying outlays associated with the Coast Guard $60 million supplemental broken out by date of enactment.

ANSWER: The information follows:

89-132 O - 88 - 3

COAST GUARD OUTLAY ESTIMATES
FOR $60 MILLION SUPPLEMENTAL

Obligations & Outlays for Remainder of the Year
($ in millions)

	Enacted July 15		Enacted Aug. 1		Enacted Aug. 15		Enacted Sept. 1	
	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Outlays
I. FUEL	$ 2.40	$ 1.44	$ 1.90	$ 0.95	$ 1.44	$ 0.48	$ 0.96	$0.00
II. OTHER CONSUMABLES	10.40	6.24	8.30	4.15	6.24	2.08	4.16	0.00
III. SPARE PARTS	41.30	20.65	46.00	15.33	50.58	0.00	54.32	0.00
IV. MAJOR MAINTENANCE	4.50	0.45	2.70	0.00	0.90	0.00	0.00	0.00
V. TRAINING	1.40	0.84	1.10	0.55	0.84	0.28	0.56	0.00
	$60.00	$29.62	$60.00	$20.98	$60.00	$2.84	$60.00	$0.00

COAST GUARD TRANSFER

SENATOR LAUTENBERG: The Drug Policy Board, as I understand it, already addressed the issue of coordination in drug interdiction programs. What did the Board decide?

ANSWER: The Board chose to use a lead agency concept. Lead agencies are designated for a specific function or area. They are responsible for developing and coordinating plans and for plan implementation, once approved by the respective Coordinating Group (which, for drug interdiction, is the Drug Enforcement Coordinating Group). The Customs Service is the lead agency responsible for the interdiction of illicit drugs into the United States, with the Coast Guard as the principal deputy. The agency responsibility for interdiction is further defined as follows:

-- Customs Service is the lead agency responsible at U.S. ports-of-entry and borders, with principal support from the Immigration and Naturalization Service (INS) and the Drug Enforcement Agency (DEA).

-- The Coast Guard is the lead agency responsible for the maritime area from the shoreline seaward, with principal support from Customs, DEA, State and Defense.

-- Customs and Coast Guard are jointly responsible for air interdiction, with specific assignments by area.

These assignments are designed to ensure a sustained effort by the principal agencies.

SENATOR LAUTENBERG: Is the policy working? Are we getting more effective coordination?

ANSWER: Coordination among drug law enforcement agencies has been greatly improved over the past several years. The Commandant of the Coast Guard and the Customs Service Commissioner have signed agreements specifying the elements of their cooperative relationship.

This coordination has also been achieved at the operational level in the field. For example, Customs and Coast Guard jointly manage and staff the Command, Control, Communication, and Intelligence (C3I) Center in Miami. They cooperate with other Federal agencies, under the leadership of the Drug Enforcement Administration, in the operation of the El Paso Intelligence Center (EPIC). Coast Guard and Customs also conduct joint operations in the area between Bimini and the coast of Florida.

SENATOR LAUTENBERG: The Coast Guard prides itself on being a multi-mission organization. It is a military service; it promotes marine safety and it is a law enforcement agency. What priority would, say, marine safety activities receive in an organization devoted to border management and drug interdiction? How would these functions fit in?

ANSWER: It is impossible to respond with any certainty. However, the creation of separate assistant secretaries to deal with narcotics interdiction on the one hand and all other Coast Guard missions on the other hand, in an organization quite clearly established to give increased emphasis to anti-drug activities, would surely encourage competition among Coast Guard units where there is

now efficient cooperation, and disharmonies where there is now effective balance. In such an organization the dismaying likelihood is that marine safety activities would become a less-favored step-child in the competition for capital assets and operating resources, to the detriment of the marine industry and the public at large. A similar impact would be likely on other non-interdiction missions of the Coast Guard.

DATA BASES

SENATOR LAUTENBERG: GAO has just indicated that there are very serious problems with a number of your major data bases, including your aviation statistics. How can you carry out the analysis necessary to assess the impact of proposed airline mergers or acquisitions on economic competition and the air traveler if your data bases are unreliable?

ANSWER: The aviation data bases, the Origin and Destination Ticket Survey, the ER-586 Service Segment Data and Form 41 Financial Data have for years been the basis for economic analysis, exhibits used in formal evidentiary proceedings and policy decisions by the Civil Aeronautics Board and now the Department of Transportation.

In the past, the Civil Aeronautics Board (CAB) collected raw traffic data from air carriers, screened the data for errors, processed it in report form and released it to the public. The accuracy and completeness of the data was assured by experienced individuals who had extensive historical knowledge of the data. This procedure continued after the CAB functions were transferred to the Department of Transportation. In 1986 the Research and Special Programs Administration of the DOT, whose staff processed the data, proposed that the collection and screening function be transferred to contractors at the Transportation Systems Center (TSC) in Cambridge, Massachusetts. This proposal was in response to a Congressional requirement to reduce staff, to test the implementation of user fees and to explore contracting-out services particularly for the Aviation Information Management data collection and processing work. The function was transferred to TSC; most of the people with experience in Washington who did not want to relocate in Cambridge left the Department. TSC management and contractor personnel lacked the experience and knowledge to efficiently process the aviation data and ensure its accuracy and reliability.

The Department of Transportation recognized the problem and transferred the function back to Washington and has taken steps to put together a group of people experienced in processing the data. Priority has been placed on bringing the latest data released by the TSC into conformity with standards. Once this data is screened and corrected, it can be used as the basis for the Department's economic

studies, merger and acquisition analyses and policy decisions.
Data for airline merger and acquisition applications, as well as for other hearing cases, are derived from a number of sources in addition to our own compilations. We require substantial factual material from the applicants themselves; and other parties, including competing airlines, have the opportunity to file rebuttal materials. Thus, despite the problems we have encountered with our data collection process, there remained sufficient checks to provide a reliable and accurate data base to support our formal hearing cases.

SENATOR LAUTENBERG: GAO says that your aviation data bases are in such bad shape that you have to buy back refined data from outside contracts, who first obtain the raw data from you. Is this true?

ANSWER: For years the Civil Aeronautics Board collected data from air carriers and performed preliminary filtering. The data was then sent to a commercial data collection and distribution company where it went through further processing. The results, with errors noted, were sent to the government at no cost in return for the right to sell the data. This company is not able to remedy specific deficiencies in the raw data as it lacks the authority to collect air carrier traffic data; this right resides only with the government. This mutually beneficial arrangement continued when the Civil Aeronautics Board function was transferred to the Department of Transportation.

The Civil Aeronautics Board bought data reporting and plotting services from this company as does the Department of Transportation today. However, the Department does not "buy back" refined data from the outside contractor. It is the Department that collects, screens and releases selected aviation data to the public.

SALARIES AND EXPENSES

SENATOR LAUTENBERG: You are requesting an increase of $6.3 million, or 12%, and 17 FTE's for Salaries and Expenses. [This, however, is net of a reduction of $920,000 and 16 FTE's associated with the proposed termination of the Essential Air Service Program and includes funding to "restore" the 4% reduction resulting from the Budget Summit agreement.] How do you justify these large increases in the current budget situation? The Summit agreement assumed a 2% increase over FY 1988 and remains in effect.

ANSWER: The $6.3 million increase in the program level for Salaries and Expenses mostly reflects a combination of underfunding in the FY 1988 appropriation and cumulative effect of uncontrollable cost increases in 1988 and 1989. Small program increases are also requested for Commercial Space staffing and Minority Business Resource Center contractual support. Finally

the FY 1988 conference report authorized 688 staff years. However, we estimate that we can fund no more than 663 this year within the 1988 dollar allowance after absorbing the 1988 pay increase. Part of our 1989 request is to make up that gap between funding and authorized staffing levels.

SENATOR LAUTENBERG: How much of this increase is to restore the 4% reduction resulting from the Budget Summit? Are you, as a matter of budget policy, recommending restoration of this 4% reduction in staff funding in all DOT Administrations. If not, why do you believe your office should be made whole in this regard?

ANSWER: Approximately one million dollars is required to restore the 4% reduction resulting from the Budget Summit. Staffing in this appropriation (excluding the Office of Essential Air Service) was reduced below the requested level by 4 1/2% in 1987 and an additional 6% in 1988. Over that same period, employment in the rest of the Department increased slightly.

To accommodate FY 1988 appropriation cuts and pay raise absorption in OST, we have deliberately slowed down hiring to replace attrition and have more than doubled our normal vacancy rate.

This is an unsatisfactory way to operate over the long term. It requires positions becoming vacant by normal attrition, transfer, or promotion to be left vacant an average of four months. This includes Office Directors, key attorneys, liaison personnel, accountants, project managers, etc., which we must backfill promptly to keep critical projects on track.

Our ability to manage under this random vacancy scenario has been further complicated by appropriation language limiting the Secretary's flexibility to reallocate resources among offices.

AIRLINE MERGERS/ACQUISITIONS

SENATOR LAUTENBERG: Last year, about this time the nine largest air carriers controlled 94 percent of domestic scheduled air service. What is the market share of the nine largest airline companies this year?

ANSWER: Based on revenue passenger miles (RPMs), the nine largest carriers accounted for 93.4 percent of domestic scheduled service in 1987 (for the year ended September 30).

TOP NINE AIR CARRIERS IN TERMS OF REVENUE PASSENGER MILES, DOMESTIC SCHEDULED OPERATIONS FOR THE YEAR ENDING SEPTEMBER 30, 1987

Carrier	Percent of Revenue Passenger Miles
Texas Air Corp.	20.4
United	17.5
American	15.4
Delta	12.7
USAir	8.7
Northwest	8.1
TWA	6.4
Southwest	2.6
America West	1.6
	93.4

SENATOR LAUTENBERG: The largest five?

ANSWER: Based on revenue passenger miles (RPMs), the five largest carriers accounted for 74.4 percent of domestic scheduled service in 1987 (for the year ending September 30).

SENATOR LAUTENBERG: How much is this return to an oligopolistic structure and reduced competition costing the consumer? How much have air fares increased as a result and which markets are most affected?

ANSWER: The increase in industry concentration reflects the results of the mergers/acquisitions that have occurred since 1985. But aggregate concentration is a deceptive measure of market power. Domination of a hub airport by one or two carriers does not necessarily imply a lack of competition. United and Continental, for example, dominate Denver but they compete fiercely for passengers.

Another perspective on competition is offered by the number of carriers offering single-plane service to a city-pair. In 1978, for example, there were 4,093 city-pair markets receiving single-plane service from only one carrier; in 1987, 3,449 markets received such service from one carrier, a decline of 644 markets (15.7 percent). At the same time, the number of markets receiving single-plane service from two or more carriers rose by 534, from 1,266 to 1,800 (42.2 percent). In fact, the consumer has more fare/service options available today than ever before.

Finally, we should also be aware of the great expansion in the competitive availability of on-line connecting service over alternative hubs. This was promoted both by the development of the hub-and-spoke strategy and by the integration of formerly local carriers into nationwide networks.

SENATOR LAUTENBERG: Please update the table relating to airline mergers and acquisitions appearing on page 801 of last year's Senate hearings (S. Hrg. 100-354, Pt. 1). Also, please indicate the date of the disposition of each case.

ANSWER: The attached table is an updated version of the table:

MERGERS/ACQUISITIONS
INVOLVING LARGE CERTIFICATED AIR CARRIERS
REVIEWED BY THE DEPARTMENT
SINCE JANUARY 1, 1985

Case	Final Order Effective Date	Disposition, Proceeding
USAir-Pennsylvania Commuter Airlines Docket No. 43095	85-5-115 May 24, 1985	Approved, Exemption
Midway-Air Florida Docket No. 42790	85-6-33 June 11, 1985	Approved, Show-Cause
Southwest-Muse Docket No. 42987	85-6-79 June 24, 1985	Approved, Show-Cause
People Express-Frontier Docket No. 43472	85-11-58 Nov. 20, 1985	Approved, Exemption

United-Pan Am Pacific Division Transfer Docket No. 43065	85-11-67 Dec. 1, 1985	Approved, Oral Evidentiary Hearing
Piedmont-Empire Docket No. 43518	86-1-45 Jan. 23, 1986	Approved, Show-Cause
Horizon-Cascade Docket No. 43419	86-1-67 Jan. 30, 1986	Approved, Show-Cause
People Express-Britt Docket No. 43719	86-2-34 Feb. 19, 1986	Approved, Exemption
NWA-Republic Docket No. 43754	86-7-81 July 31, 1986	Approved, Oral Evidentiary Hearing
*United-People Express/ Frontier Docket No. 44162	86-8-33 August 1, 1986	Approved, Exemption
Presidential-Key Docket No. 44202	86-8-32 August 13, 1986	Approved, Exemption
Texas Air-Eastern Docket No. 43825	86-8-77 August 26, 1986	Disapproved, Show-Cause
Docket No. 44346 (new application)	86-10-2 October 1, 1986	Approved, Show Cause
Alaska Air-Jet America Docket No. 44253	86-9-18 Sept. 10, 1986	Approved, Exemption
TWA-Ozark Docket No. 43837	86-9-29 Sept. 12, 1986	Approved, Oral Evidentiary Hearing
Texas Air-People Express Docket No. 44365	86-10-53 October 24, 1986	Approved, Show Cause
Delta-Western Docket No. 44362	86-12-30 December 11, 1986	Approved, Show Cause
Alaska Air-Horizon Docket No. 44506	86-12-61 December 23, 1986	Approved, Exemption
USAir-Pacific Southwest Airlines Docket No. 44552	87-3-11 March 4, 1987	Approved, Show Cause
American-Air Cal Docket No. 44498	87-3-80 March 30, 1987	Approved, Show Cause
USAir-Piedmont Docket No. 44719	87-10-58 October 30, 1987	Approved, Oral Evidentiary Hearing

Braniff-Florida Express Docket No. 45368	88-1-46 January 21, 1988	Approved, Exemption

*People Express and United applied for an exemption from the requirements of section 408 of the Act to the extent required to allow United to purchase certain assets from People Express and its subsidiaries, Frontier and Britt Airways.

TEXAS AIR INQUIRY

SENATOR LAUTENBERG: Secretary Burnley has announced a preliminary investigation of Texas Air and its subsidiaries to determine their financial, managerial, and legal fitness to operate as an air carrier.

Please provide for the record a list of all merger and acquisition applications involving Texas Air, their disposition (including the date thereof), and the type of proceeding utilized. Also summarize the objections, if any, raised in each instance by the Department of Justice, other airlines, employee groups, and other concerned parties.

ANSWER: Since 1981, there have been only three major acquisition cases involving Texas Air: the two Texas Air-Eastern acquisition cases and the Texas Air-People Express acquisition case. They can be summarized as follows:

Merger/Acquisition Cases Involving Texas Air Corp. Since 1981

Case	Date of Application	Date of Final Order	Order #	Disposition	Type of Proceeding
TAC-Eastern (1st application)	2/28/86	8/26/86	86-8-77	Disapproved	Show-cause proceeding
TAC-Eastern (2nd application)	9/12/86	10/1/86	86-10-2	Approved	Show-cause proceeding
TAC-People Express	9/19/86	10/24/86	86-10-53	Approved	Show-cause proceeding

In the first TAC-Eastern case, the Department originally scheduled an oral evidentiary hearing. After submission of exhibits and of Texas Air's agreement with Pan American to transfer sufficient gates and slots at New York LaGuardia, Boston Logan, and Washington National airports to enable Pan Am to operate competitive shuttle service, the Department determined that an oral evidentiary hearing was unnecesary, and that it would decide the case by show-cause proceedings.

The acquisition was opposed by Delta Airlines, USAir, Presidential Airways, the States of New York and Massachusetts, the Massachusetts Port Authority (Massport), the Airline Pilots' Association (ALPA), the Master Executive Council of Eastern Pilots ("Eastern Pilots"), the International Association of Machinists (IAM), Compuflight Operations Services, Inc. (Compuflight), the National Business Aircraft Association (NBAA), the National Air Transportation Association (NATA), and Michael A. Pedano, an Eastern employee.

Massachusetts opposed the acquisition on the grounds that Pan Am could not effectively compete with Eastern in the shuttle markets, and that the acquisition would significantly reduce competition in the Boston-Washington market. Compuflight argued that the acquisition would reduce competition in the computerized flight planning industry. The labor parties (ALPA, Eastern Pilots, and IAM) asserted that Texas Air would use control of Eastern to eliminate Eastern's unions, cut wages, and worsen working conditions. Delta, Massport, and New York urged that the Department require the slots transferred to Pan Am be reserved for shuttle service. They also argued, as did USAir, that the Department require cancellation of the "snap-back" clause, by which Pan Am would be forced to return the slots to TAC if it did not maintain shuttle service.

The Department disapproved the acquisition on the grounds that the TAC-Pan Am slot and gate transfer was inadequate to permit Pan Am to compete effectively in the shuttle markets, and TAC's acquisition of Eastern, therefore, would significantly reduce competition in those markets.

In the second TAC-Eastern case, Texas Air submitted a revised agreement with Pan Am to allow it to compete more effectively with Eastern in the shuttle markets. Presidential, USAir, Compuflight, and the labor parties (ALPA, IAM, and Eastern Pilots) opposed the acquisition, and New York and Massachusetts requested the imposition of conditions protecting competition. The opponents essentially restated their objections in the first TAC-Eastern case. In addition, Presidential argued that the potential failure of People Express, in conjunction with the TAC-Eastern merger, would significantly reduce competition in the Northeast, and both

Presidential and Massachusetts claimed that the TAC-Eastern and proposed TAC-People Express acquisiton were linked, and should be decided jointly.

The Department found that the revised TAC-Pan Am agreement would permit Pan Am to compete effectively in the shuttle markets and approved the acquisition.

The TAC-People Express acquisition was opposed by Pan American and Presidential. Presidential restated its arguments in the second TAC-Eastern Case, and both carriers claimed that the acquisition would reduce competition in the Newark-Boston/Washington National markets. In addition, Presidential argued that the acquisition would result in excessively high concentration in the national market.

The Department found that the acquisition would not significantly reduce competition at Newark or elsewhere, and approved the acquisition.

In none of the three cases did the Department of Justice or any other Federal agency oppose the acquisitions.

SENATOR LAUTENBERG: To what extent was the "fitness" of Texas Air Corporation under Section 401(r) considered in the process of approving Texas Air's acquisition of its current subsidiaries?

ANSWER: Since Texas Air had already been found fit under Section 401 to operate as an air carrier, its fitness was not at issue in any of these cases. Moreover, none of the opponents of the acquisition challenged Texas Air's fitness at any stage of the proceedings, although they were free to do so.

SENATOR LAUTENBERG: I note that the inquiry into Texas Air is to be led by Ms. Rosalind Knapp.

What was her role, if any, in the airline scheduling investigation last year? Did she participate in devising the consent decree which GAO has described as essentially weak and/or disingenuous?

ANSWER: Ms. Knapp, as Deputy General Counsel, directs the work of the Office of Aviation Enforcement and Proceedings and in that capacity was involved in the establishment of the airline scheduling investigation and in the development of the settlement agreements that resulted from that investigation. As discussed in response to other questions, the Department completely disagrees that the settlement agreements were "weak or disingenuous".

WET LEASING/FOREIGN AIR CARRIERS

SENATOR LAUTENBERG: I understand that FAA is developing proposed revisions to FAR Part 119 that will include, inter alia, provisions relating to "wet leasing" and foreign air carriers.

When do you anticipate that this document will be published in the Federal Register with a request for comments?

ANSWER: The FAA is preparing a draft notice of proposed rulemaking which, if issued, would propose to consolidate certificate rules applied to air carriers and certain commercial operators in Parts 121 and 135 into a new Part 119. It is not yet in final form and we have no firm estimate of when it will be put in the Federal Register with a request for comments.

SENATOR LAUTENBERG: Do you anticipate that this document will clarify the term "wet lease," and will the document continue the prohibition against wet leasing by foreign air carriers as presently exists in Part 121 of the Federal Aviation Act?

ANSWER: As the draft notice of proposed rulemaking is not yet in final form, it would be premature to discuss what it might contain. If the notice is issued, we will provide the public with an ample opportunity to comment on its contents at that time.

SENATOR LAUTENBERG: If not, will you propose legislation authorizing full wet leasing between U.S. and foreign air carriers and vice versa?

ANSWER: Except for the cabotage prohibition in section 1108(b) of the Federal Aviation Act, the statute does not prohibit wet leasing from U.S. to foreign air carriers, or vice versa. We have no intention of proposing any change to the cabotage prohibition.

SENATOR LAUTENBERG: What is your definition of wet leasing?

ANSWER: The Part 121.6 definition for aircraft leasing is any leasing or other agreement whereby a certificate holder agrees to provide a large aircraft and at least one pilot crew member to another person certificated under Parts 121 or 135, or engaged in the operation of a foreign air carrier or other foreign airline.

SENATOR LAUTENBERG: Does it always include both aircraft and flight crews from the lessor?

ANSWER: It always includes both an aircraft and a pilot crew member.

SENATOR LAUTENBERG: What is your definition of code sharing?

ANSWER: Code sharing is an arrangement between two scheduled airlines in which the regularly scheduled flights of one airline are held out to the public in Computer Reservation Systems, airline schedules, the Official Airline Guide and other sources using the airline designator code of the second. We require that both airlines have route authority to provide the service. When a foreign airline is a party to such an arrangement, we require that the parties also obtain a statement of authorization under 14 CFR 207.10 or 212.4.

REIMBURSABLE POSITIONS

SENATOR LAUTENBERG: You project increases of $1 million and 2 reimbursable positions and 4 reimbursable FTE's. Please explain the reasons for the increase. What function do these positions serve and where are they assigned?

ANSWER: The estimated increase of $1 million in reimbursable contracts and personnel costs is primarily in the areas of the drug awareness program (Administration) and the Saudi project and the Office of Safety Program Review (Policy). The personnel costs are based upon normal personnel compensation and benefits increases and the additional FTE's in these two offices.

Two additional positions and one associated FTE are assigned to the Office of Administration in support of the drug awareness program. Three additional FTE's are projected for the Office of Safety Program Review to replace personnel formerly on detail to the Safety Review Task Force.

SCHEDULE OF POSITIONS

Senator Lautenberg: Please update the schedule of positions appearing on P. 799 of the FY 1988 Senate Hearings (S. Hrg., 100-354, Pt. 1). Add a column for mean compensation/position. Also provide a table for the record displaying OST position schedules from 1980 to present.

ANSWER: The information follows:

FY 1988

GRADE	NUMBER OF POSITIONS	MEAN COMPENSATION	TOTAL SALARIES
GS-02	2	$13,437	$ 26,873
GS-03	11	$16,593	$ 182,519
GS-04	13	$15,897	$ 206,655
GS-05	38	$18,073	$ 686,770
GS-06	44	$20,229	$ 890,056
GS-07	78	$22,419	$ 1,748,710
GS-08	49	$25,471	$ 1,248,068
GS-09	61	$26,932	$ 1,642,852
GS-10	16	$30,219	$ 483,511
GS-11	55	$31,261	$ 1,719,344
GS-12	73	$36,918	$ 2,695,022
GS/GM-13	109	$44,958	$ 4,900,433
GS/GM-14	176	$54,350	$ 9,565,644
GS/GM-15	146	$65,845	$ 9,613,328
GS-16	6	$76,431	$ 458,585
GS-17	1	$78,888	$ 78,888
GS-18	1	$86,682	$ 86,682
WAGE GRADES	40	$27,480	$ 1,099,181
ES-01	6	$65,994	$ 395,964
ES-02	3	$68,952	$ 206,856

ES-03	7	$71,910	$ 503,370
ES-04	31	$73,400	$ 2,275,400
ES-05	9	$75,500	$ 679,500
ES-06	3	$77,500	$ 232,500
EL-01	1	$99,500	$ 99,500
EL-02	1	$89,500	$ 89,500
EL-04	3	$77,500	$ 232,500
TOTAL	983[1]	$42,775	$42,048,211

[1]FY 1988 - Filled permanent positions as of February 29, 1988.
FY 1980 - 1987 - Filled permanent positions as of End of Year.

FY 1987

GRADE	NUMBER OF POSITIONS
GS-01	0
GS-02	2
GS-03	10
GS-04	16
GS-05	37
GS-06	46
GS-07	76
GS-08	51
GS-09	66
GS-10	16
GS-11	51
GS-12	74
GS/GM-13	111
GS/GM-14	171
GS/GM-15	146
GS-16-18	8
WAGE GRADES	42
ES-01	7
ES-02	0
ES-03	7
ES-04	28
ES-05	4
ES-06	1
EL-I	1
EL-II	1
EL-III	0
EL-IV	3
EL-V	1
TOTAL	976

FY 1986

GRADE	NUMBER OF POSITIONS
GS-01	0
GS-02	1
GS-03	13
GS-04	15
GS-05	41
GS-06	44
GS-07	89
GS-08	50
GS-09	66
GS-10	18
GS-11	75
GS-12	64
GS/GM-13	101
GS/GM-14	165
GS/GM-15	146
GS-16-18	9
WAGE GRADES	43
ES-01	11
ES-02	3
ES-03	6
ES-04	27
ES-05	7
ES-06	1
EL-I	1
EL-II	1
EL-III	0
EL-IV	4
EL-V	1
TOTAL	1002

FY 1985

GRADE	NUMBER OF POSITIONS
GS-01	0
GS-02	3
GS-03	20
GS-04	33
GS-05	40
GS-06	47
GS-07	98
GS-08	54
GS-09	77
GS-10	21
GS-11	72
GS-12	68

GS/GM-13	111
GS/GM-14	166
GS/GM-15	143
GS-16-18	9
WAGE GRADES	50
ES-01	14
ES-02	3
ES-03	1
ES-04	30
ES-05	5
ES-06	1
EL-I	1
EL-II	1
EL-III	0
EL-IV	4
EL-V	0
TOTAL	1072

FY 1984

GRADE	NUMBER OF POSITIONS
GS-01	0
GS-02	1
GS-03	27
GS-04	27
GS-05	28
GS-06	35
GS-07	86
GS-08	48
GS-09	56
GS-10	15
GS-11	52
GS-12	50
GS/GM-13	73
GS/GM-14	108
GS/GM-15	111
GS-16-18	5
WAGE GRADES	53
ES-01	15
ES-02	1
ES-03	3
ES-04	25
ES-05	3
ES-06	2
EL-I	1

EL-II	1
EL-III	0
EL-IV	4
EL-V	0
TOTAL	830[1]

Note: [1]First year prior to transfer of Civil Aeronautics Board functions to OST.

FY 1983

GRADE	NUMBER OF POSITIONS
GS-01	0
GS-02	2
GS-03	6
GS-04	29
GS-05	53
GS-06	48
GS-07	90
GS-08	39
GS-09	75
GS-10	16
GS-11	47
GS-12	49
GS/GM-13	97
GS/GM-14	99
GS/GM-15	113
GS-16-18	6
WAGE GRADES	55
ES-01	10
ES-02	2
ES-03	1
ES-04	30
ES-05	3
ES-06	4
EL-I	1
EL-II	0
EL-III	0
EL-IV	2
EL-V	0
TOTAL	877

FY 1982

GRADE	NUMBER OF POSITIONS
GS-03	4
GS-04	39
GS-05	59
GS-06	68
GS-07	90
GS-08	53
GS-09	65
GS-10	28
GS-11	53
GS-12	102
GS/GM-13	130
GS/GM-14	125
GS/GM-15	117
GS-16	4
GS-17	1
GS-18	1
ES-01	9
ES-03	1
ES-04	31
ES-05	3
ES-06	1
EL-I	1
EL-II	1
EL-IV	4
TOTAL	990

FY 1981

GRADE	NUMBER OF POSITIONS
GS-02	6
GS-03	31
GS-04	49
GS-05	65
GS-06	81
GS-07	111
GS-08	55
GS-09	94
GS-10	20
GS-11	95
GS-12	81
GS/GM-13	101
GS/GM-14	128
GS/GM-15	146
GS-16	5
GS-17	1

GS-18	1
ES-01	13
ES-02	1
ES-03	6
ES-04	31
ES-05	3
ES-06	1
EL-I	1
EL-II	1
EL-IV	4
TOTAL	1131

FY 1980

GRADE	NUMBER OF POSITIONS
GS-02	7
GS-03	27
GS-04	64
GS-05	93
GS-06	70
GS-07	112
GS-08	45
GS-09	101
GS-10	13
GS-11	92
GS-12	80
GS/GM-13	100
GS/GM-14	112
GS/GM-15	143
GS-16	4
GS-17	2
GS-18	1
ES-01	14
ES-02	7
ES-03	1
ES-04	37
ES-05	4
ES-06	2
EL-I	1
EL-II	1
EL-IV	4
TOTAL	1137

OTHER SERVICES

SENATOR LAUTENBERG: Explain the increase requested for Other Services (from $11.2 to $11.850 million).

ANSWER: The $650,000 reimbursable obligations increase for "Other Services" is composed of $350,000 in increased costs anticipated for the drug awareness program and $300,000 for miscellaneous cost increases in contractual support (i.e., the Saudi projects, Office of Safety Program Review, etc.)

SENATOR LAUTENBERG: Last year, you indicated that $382,000 of your request was for the development of a new Department-wide Contract Information System. Has this system been developed? Has it been implemented? If not, why not?

ANSWER: The existing Contract Information System, which was originally developed over 17 years ago, is operated by the Office of the Secretary to meet governmentwide reporting requirements and to provide contract information for Departmental management. The operating administrations provide the data input to CIS -- either through hard copy or computer tapes. The system does not contain complete and accurate data and is very paper intensive. We had planned to develop an on-line input system in fiscal year 1988, but as a result of FY 1988 appropriation reductions and absorptions, we were not able to fund this effort. Instead, we are making minor corrections to the data formats to ensure that CIS is more responsive to the governmentwide requirements. It will remain an old, very paper intensive system.

In view of the limited changes which we could fund in FY 1988, we have begun to assess the larger procurement information system needs of the Department -- not only for information and data collection but also for contract writing and procurement tracking. We believe that the most effective way for the Department to collect and disseminate accurate contract information would be to develop a Department-wide procurement management system. We have just established a Departmental working group to inventory current needs and available computer hardware and software. We expect this working group to complete its initial efforts in three months, and to develop recommendations for the long term procurement management needs of the Department.

SENATOR LAUTENBERG: What is the total cost of this project and when will it be completed?

ANSWER: For 1989 we are requesting $180,000 for a feasibility study, requirements analysis and hardware and software analysis. Development and implementation department-wide is a significant effort and would cost approximately $2.5 million and take four to five years to complete.

SENATOR LAUTENBERG: What is the estimated value of the savings or cost-avoidance to be achieved with this new system?

ANSWER: As yet we have not established potential savings and cost avoidance to be achieved by developing a Departmentwide system. We do know that the new system

will provide uniformity for managing procurement activities, enhance the effectiveness of our procurement operations, and provide for standardized interface with our Departmentwide Accounting and Financial Information System.

GENERAL COUNSEL

SENATOR LAUTENBERG: You are requesting an increase of $12,000 or 15% for other costs which include, according to your justification, contractual services and consultants. Provide a listing of all consultant contracts for FY 1986 to present, indicating the recipient, amount paid, and the specific purposes or use served.

ANSWER: The General Counsel has not used consultants from FY 1986 to the present. The contract portion of "other costs" has been for services such as duplicating workpapers of witnesses in rail merger and MSPB cases; obtaining interpreters for the deaf in both the regulatory negotiations on access to airline service of the handicapped and mass transit Section 504 rulemakings; obtaining source material for the Department's drug testing program; and equipment. However, the majority of "other costs" is for travel, and the entire $12,000 increase is for that purpose.

SENATOR LAUTENBERG: What are the criteria for initiating enforcement actions tied to consumer complaints received?

ANSWER: The enforcement office will initiate an enforcement action based on consumer complaints when those complaints show the likelihood of a pattern or practice of verifiable violations of the Department's consumer protection regulations or the Federal Aviation Act. The degree of consumer harm, both actual and potential, is considered. It is our experience that most consumer complaints received do not involve violations of our regulations and the act but rather concern problems such as random and unpredictable flight delays, cancellations (for mechanical, weather and other reasons), missed connections, and inadequate customer service. When the complaints do relate to areas protected by our regulations or statute, such as denied boarding compensation (DBC) or refunds, the complaints often are either unverifiable or fail to meet all the conditions necessary for violation to have occurred. For example, in the DBC cases we pursued in 1987 based on consumer complaints, the number of complaints that we could have used in a trial was only an extremely small percentage of the total number of DBC complaints registered in the Department against the carriers being investigated.

CONSUMER COMPLAINTS

SENATOR LAUTENBERG: GAO points out that 51 of the 212 consumer protection investigations in 1987 related to Superbowl fraud advertisements. How many workyears did these 51 investigations consume? Explain the rationale for this allocation of your resources.

ANSWER: Less than 2% of the available investigator time was devoted to Superbowl investigations in 1987. Superbowl air travel packages are traditionally highly visible and full of potential for consumer harm. Pittsburgh Steeler fans were literally taken for a ride when, in 1975, they were forced to watch Superbowl IX in New Orleans form their hotel rooms located just blocks away from the stadium. Every year, the Department issues a press release to alert consumers to the possible harm which exists. The Investigations Division conducts inquiries each January with an aim toward uncovering problems, such as air transportation or game tickets not being available as promised. The 51 Superbowl investigations in 1987 were therefore initiated to determine if tour packages offered to the general public were being sold in compliance with Department regulations. Of the 51 investigations, all of which were completed in a period of 22 days, it was determined that in 40 cases no apparent violations were found. In the remaining 11 cases, voluntary compliance with the regulations was achieved.

SENATOR LAUTENBERG: Provide a table displaying investigations, enforcement actions and case disposition from fiscal 1986 to present by subject matter.

ANSWER: The following table provides the required information:

SUBJECT	NUMBER OF INVESTIGATION	NUMBER OF ENFORCEMENT/ COMPLIANCE ACTIONS	NUMBER OF CASES CLOSED
Advertising	229	67	212
Charters	89	48	59
Compliance Disposition	121	Not Applicable	113
Oversales	9	3	4
Rebates	4	2	3
Refunds	65	58	59
Unauthorized Air Transportation	67	38	49
Unfair Methods of Competition	45	31	27
Total	629	247	526

To the extent investigations disclose apparent violations, respondents are placed on notice and directed to take action to correct the problem. This action generally is taken by the Investigations Division through informal correspondence, referred to compliance action. In the event the respondent refuses to comply informally, the matter is referred to the General Counsel's Office for consideration of enforcement action. Should a case involve a serious problem, such as significant consumer harm or an instance of repeated offenses, the matter will be referred for enforcement action without first seeking informal compliance action. Thus, the above data reflect

the total number of investigations initiated by the Investigations Division since October 1, 1985, the total number of cases for which compliance action has been taken and/or the total number of cases referred for enforcement action, and the total number of cases which have been closed. Cases are closed only after it has been determined that no evidence of violations have been revealed or compliance/enforcement action has been completed.

SENATOR LAUTENBERG: Provide a break-out of workyears by activity for fiscal years 1987 to present.

ANSWER: The breakdown is as follows:

	FY 1987	First Half FY 1988
Immediate Office of the General Counsel	4.9	2.7
Office of Environmental, Civil Rights & General Law	19.3	8.6
Office of International Law	14.8	7.6
Office of Litigation	13.5	6.5
Office of Legislation	7.3	3.9
Office of Regulation and Enforcement	11.3	5.7
Documentary Services	12.4	5.0
Board for Correction of Military Records	3.1	1.5
Office of Aviation Enforcement & Proceedings	11.3	5.5
Total - General Counsel	97.9*	47.0**

*The General Counsel's Office was authorized 115 positions for FY 1987 but received funding for only 99. Therefore, the FY 1987 figures should not be viewed as fully representative of the workload level of this office.

**Five percent of the General Counsel's Office FY 1988 appropriation will be available for obligation only upon issuance of certain FAA rulemakings. The office therefore operated during the first half of FY 1988 without assuming that the final 5% of its appropriation would be available.

GENERAL COUNSEL

SENATOR LAUTENBERG: Your request includes an increase of $295,000 for Personnel Compensation and Benefits. How much of this increase is to restore the four FTE's that were not funded in FY 1988?

ANSWER: The amount needed to fund these four FTE's is $220,000.

SENATOR LAUTENBERG: Your justification refers to increases to regulatory proceedings. Provide for the record a table displaying your regulatory workload by subject matter for fiscal years 1986 to present.

ANSWER: The following is a table displaying our regulatory workload by subject matter for fiscal years 1986 to present:

	FY 1986	FY 1987	First Half FY 1988
Foreign Air Transportation			
U.S. Carrier Certificates	17	36	53
U.S. Carrier Exemptions	52	110	61
Foreign Carrier Licenses	109	166	86
Fare and Rate Cases	276	237	129
Domestic Air Transportation			
Alaska Mail Rate Cases	4	4	3
U.S. Carrier Certificates	75	77	45
Commuter Fitness Cases	40	29	21
Merger Cases	21	19	3
Enforcement Cases	7	30	15
Total	601	708	416

SENATOR LAUTENBERG: Last year you indicated that you would process 12 to 14 international carrier route proceedings in FY 1988. How many proceedings have been initiated to date this fiscal year?

ANSWER: As can be seen in the chart below, during the first half of this fiscal year the Department has decided 3 route cases, has 1 currently pending before the DOT Decisionmaker, and another 2 awaiting Recommended Decisions from Administrative Law Judges. Thus, we are well on our way toward meeting our estimate of last year.

SENATOR LAUTENBERG: Describe the status and disposition of all international route cases considered in fiscal years 1986 to present.

ANSWER: The international carrier-selection route cases and their disposition or status are listed below:

FY 1986

U.S.-Japan Gateways Case: Delta awarded Portland-Tokyo; American awarded Dallas/Ft. Worth-Tokyo.

Denver-London Service Case: Continental selected.

FY 1987

Texas-Mexico (1986) Service Case: Braniff selected to serve Dallas/Ft. Worth-Mexico City/ Acapulco and San Antonio-Mexico City/Acapulco.

Seattle/Portland-Japan Service Review Case: Case dismissed and new case instituted.

U.S.-London Gateways Case: Piedmont awarded Charlotte-London; Delta awarded Cincinnati-London.

Baltimore-London Service Case: TWA selected.

Seattle-Vancouver Service Case: San Juan Airlines selected to provide commuter service.

FY 1988

London-Frankfurt Exemption Proceeding: TWA selected to exercise local traffic rights between October 29 and May 14 for each of the next two years.

U.S.-Japan Small Package Service Case: Federal Express awarded Portland-Tokyo authority to carry small packages.

Japan Charter Authorizations: This case allocated rights to fly 204 charters to Japan as follows: CARGO: Rosenbalm Aviation/Emery, 116; Flying Tiger Line, 29; Arrow Air, 8; Evergreen International, 8; Interstate Airlines, 8; Orion Air, 8; Southern Air Transport, 8; Federal Express, 8; PASSENGERS: Hawaiian Airlines, 84; American Trans Air, 16; Continental Airlines, 8.

U.S.-Venezuela Route Proceeding: ALJ's R.D. served February 12; DOT decision pending.

Seattle/Portland-Japan Service Proceeding: Hearing February 16-22, 1988; ALJ's R.D. pending.

Spokane-Vancouver Service Case: Briefs to the ALJ filed March 3, 1988; ALJ's R.D. pending.

SENATOR LAUTENBERG: Provide a table for the record displaying workyears devoted by the General Counsel and Policy and International Affairs to route proceedings in fiscal years 1986 to present.

ANSWER: The workyears devoted by the General Counsel and Policy and International Affairs to route proceedings in fiscal years 1986 to present are as follows:

	Counsel	Policy	Total
FY 86	4.0	8.5	12.5
FY 87	8.5	9.5	18.0
FY 88 (6 mo)	5.3	7.0	12.3

SENATOR LAUTENBERG: Provide an update of the estimate of economic value of the international routes allotted or reallocated from fiscal 1986 to present.

ANSWER: For the completed cases cited above, the selected carriers' estimated first year gross revenues ($million) are as follows: Portland-Tokyo (Delta) $51.5; Dallas/Ft. Worth-Tokyo (American) $85.4; Denver-London (Continental) $50.8; Texas-Mexico (Braniff) $25; Charlotte-London (Piedmont) $40; Cincinnati-London (Delta) $58; Baltimore-London (TWA) $34; Seattle-Vancouver (San Juan) $2; London-Frankfurt (TWA) $.9; Portland-Tokyo (Federal Express) $67. No sound estimate of value of Japan charters. For pending cases, evidence of value is still under review.

POLICY AND INTERNATIONAL AFFAIRS

SENATOR LAUTENBERG: GAO has told the Committee that the consent decree entered into with respect to airline scheduling practices can have little if any effect since it establishes standards that the airlines involved were already achieving.

Who in the Office of General Counsel was responsible for this consent decree?

ANSWER: The Assistant General Counsel for Aviation Enforcement and Proceedings signed the settlement agreement with the carriers.

SENATOR LAUTENBERG: Did this person or persons receive an SES or PMRS award last year?

ANSWER: The Assistant General Counsel did receive an SES award last year.

SENATOR LAUTENBERG: If so, why?

ANSWER: The Assistant General Counsel and his staff performed in an outstanding manner last year. Although the settlement agreements were a major achievement of the Assistant General Counsel and his office, they were only one of a large number of important achievements by the office, including the assessment of record breaking civil penalties in consumer protection cases which were also alluded to by GAO in its testimony.

With respect to the allegation that the settlement agreements merely require a level of on-time performance that the airlines were already achieving, that allegation is incorrect. The carriers had not been meeting the standards of the settlement agreements when they were signed and it is likely that we will find violations of the settlement agreement criteria over the next six months.

As a final matter, it should be noted that the settlement agreements are agreements and reflect the best possible resolution that the enforcement office could obtain through negotiations. If agreements had not been reached, the enforcement office would have had to resort to multiple, protracted and costly litigation. The Assistant General Counsel believed that such litigation would have required between 6 and 18 months to fully resolve, that the litigation would have required the use of virtually all the Department's

enforcement resources, and that the most likely outcome would have been orders to cease and desist from unrealistic scheduling without civil penalties or the establishment of any standard. This is the case because the only regulatory standard that exists is extremely general (i.e., unrealistic scheduling is a deceptive practice and deceptive practices are prohibited by the Federal Aviation Act). The settlement agreements, therefore, achieved more than was likely from resort to litigation, without the costs and delays of litigation.

SENATOR LAUTENBERG: Please update the table summarizing international licensing cases appearing on page 804 of last year's Senate Hearings (S. HRG. 180-354, Pt. 1).

ANSWER: The updated table of international licensing cases processed follows:

	FY 1986	FY 1987	First Half FY 1988
U.S. Carrier Certificates	17	36	53
U.S. Carrier Exemptions	52	110	61
Total U.S. Carrier Licenses	69	146	114
Foreign Air Carrier Permits	25	28	8
Foreign Carrier Exemptions	84	138	78
Total Foreign Carrier Licenses	109	166	86

SENATOR LAUTENBERG: Also, update the table on page 804 displaying the status and/or disposition of airline applications reviewed from FY 1986 to present and indicate the carriers involved.

ANSWER: The updated status and disposition table and the carriers involved follow:

	FY 1986	FY 1987	First Half FY 1988
U.S. Carrier Certificates Granted	4	14	40
Denied	6	3	0
Dismissed	7	19	13
Pending, End of Period	N/A	134	105
U.S. Carrier Exemptions Granted	37	96	55
Denied	7	4	1
Dismissed	8	10	5
Pending, End of Period	N/A	101	107
Foreign Carrier Permits Granted	18	25	7
Denied	3	0	0
Dismissed	4	3	1
Pending, End of Period	N/A	119	143
Foreign Carrier Exemptions Granted	63	115	77
Denied	4	2	1
Dismissed	17	21	0
Pending, End of Period	N/A	135	141

(NOTE: A majority of the cases pending represent either requests by carriers for authority which they already hold in another form or applications which, on consideration, have been deferred for policy reasons.)

Carriers Involved in International Licensing Applications, FY 1986-1988

Aerial Transit Co
Aerlinte Eireann Teoranta
Aero Chago SA
Aeroflot-Soviet Airlines
Aero Transporti Italiani
Aero Uruguay
Aerolineas Dominicanas SA
Aerolineas Mundo SA
Aeromar C Por A
AeroPeru
Aeroservicios Ecuatoriana
Aerotours Dominicano
Aerovias SA
Aerovias Venezolanas SA
Air Atlantic Ltd
Air Atonabee Limited (City Express)
Air Canada
Air France
Air Guadeloupe
Air Haiti SA
Air Illinois
Air Jamaica
Air Micronesia Inc
Air New Zealand Limited
Air Niagara Ltd
Air North America Inc
Air North Charter Training
Air Nova
Air Ontario Limited
Air Puerto Rico Airlines
Air Specialties Corp (Air America)
Air Tungaru
AirBC Ltd
Alas de Transportes Internacional
Alia-Royal Jordanian
Airlift International
All Nippon Airways Co Ltd
America West Airlines Inc
American Airlines Inc
American Trans Air
Amerijet International
Anglo Airlines Limited
APA International Air SA
Arrow Air Inc
Austin Airways Limited
Aviateca
Aztec Aviation Consulting
Bahamasair Holding Ltd
Belize Air Intl Limited
Best Airlines Inc
Braniff Inc
British Airways
British Caledonian Airways
British Caledonian Charter
British Caribbean Airways
BWIA International (Trinidad and Tobago)
CAAC Civil Aviation of China
Compagnie Aeromaritime
Caicos Intl Airways Ltd
Canadian Airlines Intl Ltd
Canadian Pacific Air Lines
Carga Aero Transportada SRL
Cargolux Airlines Intl
Caricargo
Cathay Pacific Airways
Caicos Caribbean Airways
Challenge Air Cargo Inc
Challenge Air Transport
Challenge Intl Airlines
China Airlines Ltd
Compania de Aviacion (Faucett)
Compania Dominicana Aviacion
Compania Panamena Aviacion
Conner Air Lines Inc.
Continental Air Lines Inc
Delta Air Lines Inc
DHL Airways Inc
Eastern Air Lines Inc
Eastern Provincial Airways
Egyptair
EL AL Israel Airlines Ltd
Emerald Air Inc
Empire Airways
Fast Air Carrier Ltd
Florida Express Inc
Florida West Airlines
The Flying Tiger Line Inc
Four Seas Airlines Inc
General Aerospace Inc
Global Intl Airways Corp
Grenada Airways Ltd
Guyana Airways Corporation
Haiti Air
Haiti Air Freight Intl
Haiti National Airlines
Haiti Trans Air
Hawaiian Airlines Inc
Highland Express Airways Ltd
Hong Kong Dragonair Airlines
Huron Aviation

Iberia
Icelandair
ILPO Aruba
Inter City Airways Inc
Interamericana de Aviacion SA
Intl Parcel Express Inc
Islander Airways
Jamaica Air Freighters Ltd
Japan Air Lines Co Ltd
Jet Charter Servive Inc
(Jet 24)
Jugoslovenski Aerotransport
Keyan Airways
KLM Royal Dutch Airlines
Korean Air Lines Co Ltd
Kuwait Airways Corp
Le Point Air SARL
LIAT (1974) Limited
Linea Aerea Nacional-Chile
Linea Aeropostal Venezolana CA
Lineas Aereas Costarricens
Lineas Aeras Mayas SA
Leanas Aereas Trans Costa Rica
Lone Star Airways Inc
Lufthansa German Airlines
Malev Hungarian Airlines
Mall Airways
Malaysian Airlines System
Middle East Airlines Inc
Midway Airlines Inc
Millon Air Inc
Minerve SARL
Nippon Cargo Airlines
Nolisair International Inc
Nordair Inc
North Canada Air Ltd
(Norcanair)
Northland Air Manitoba Ltd
Northwest Airlines Inc
Olympic Airways
Orion Lift Service Inc
(Orion Air)
P.T. Garuda Indonesian Airways
Pacific Southwest Airlines
Pacific Western Airlines
Pakistan International
Pan American World Airways
Pan Aviation Inc
Pegasus Airlines Inc
People Express Airlines
Piedmont Aviation Inc
Polskie Linie Lotnicze (LOT)
Polynesian Airlines
Qantas Airways Limited
Quebecair
Republic Airlines Inc
Rosenbalm Aviation Inc
Ryan Aviation Corporation
Servicios Aeros SA
Sabena
Samoa Airlines
SAETA
Saudi Arabian Airlines
Scanair
Scandinavian Airlines System
Servicios de Transportes Aereos
Fuequinos
Singapore Airlines Limited
Skycraft Air Transport Inc
Skystar International Inc
Soundair Corporation
(Commuter Express)
South Pacific Island Airways
St. Lucia Airways Ltd
Suncoast Airlines Inc
Surinam Airways Limited
Swissair
TACA International Airlines SA
Tampa
Tarom
Thai Airways
Time Air Inc
Toa Domestic Airlines Co
Tower Air Inc
Tradewinds Airways
Trans Aeros Bolivianos
Trans World Airlines Inc
Transavia Holland N.V.
Transbrasil SA
Transportacion Mexicana
Transporte Aereo Dominicano
Transporte Aero Rio Platense
Transportes Portugueses
Transwede Airways AB
Traslados SA
U.S. Air Inc
Union de Transports Aerien
United Air Lines Inc
Varig
Venexcargo
Venezolana Intl de Aviacion
Viacoa Aerea Sao Paulo
Virgin Atlantic Airways
Wardair Canada Inc
Western Airlines Inc
World Airways Inc
Zambia Airways
Zas Airways Inc

SENATOR LAUTENBERG: Please update the table relating to travel appearing on pages 805-808 in last year's Senate Hearing (S. HRG. 100-354, PT. 1)

Office of the Assistant Secretary for Policy and International Affairs

4-12-87 - 4-21-88

Destination	Purpose and Traveler	Days	Cost	# Participants
FY 1987				
April				
Montreal, Canada 4-12-87	Consult w/ Canadian Officials on Heavy Use Vehicle Use Tax and New Commercial Driver's License, Nancy MacRae, Chief, Maritime & Surface Division	2	405	1
May				
Dublin, Ireland 5-25-87	To assist with the U.S. delegation & Irish Gov't in establishing a permanent INS Pre-inspection program at Shannon Int'l Airport, Clifford Woodward, Int'l Transportation Specialist	5	1,890	1
Ottawa, Canada 5-27-87	Canadian Negotiation Arnold Levine, Director, Office of Int'l Transportation & Trade	3	480	1
June				
Copenhagen, Denmark 6-13-87	Bilateral Negotiations Paul Gretch, Director, Office of Int'l Aviation	7	2,061	1
Mexico 6-23-87	US Delegation with Gov't of Mexico, Rosalind Ellingsworth, Asst. Dir., for Negotiations, and Mary Street, Transportation Industry Analyst	9	1,978	2

Destination	Purpose and Traveler	Days	Cost	# Participants
FY 1987				
July				
Paris, France 7-7-87	U.S. Delegation in Multilateral talks w/ ECAC on CRS, Rosalind Ellingsworth Asst. Dir., for Negotiations, and Mary Street, Transportation Industry Analyst	6	3,700	2
Tokyo, Japan 7-20-87	Civil Aviation Discussion, Vance Fort, Deputy Assistant Secretary for Policy & Int'l Affairs	4	2,500	1
August				
Ottawa, Canada 8-13-87	FTA Negotiation, Bruce Butterworth, Chief, Trade, Facilitation & Technical Issues Division	2	503	1
Kingston & MontegoBay, Jamaica 8-17-87	Preinspection/Preclearance Programs at Kingston & Montego Bay Clifford Woodward, Int'l Transportation Specialist	6	1,452	1
September				
Montreal, Canada 9-7-87	To participate in the first week's discussions of the ICAO Fares & Rates Panel Meeting, John Kiser, Chief, Multilateral Coord. Staff, and Agnes Trainor, Transp. Industry Analyst	6	1,478	2
Ottawa, Canada 9-16-87	Negotiations on U.S.-Canada Free Trade Area Agreement, Arnold Levine, Director, Office of Int'l Transportation & Trade	3	447	1

Destination	Purpose	Days	Cost	# Participants
FY 1987				
September				
Brussels, Belguim 9-19-87	To participate as members of U.S. Delegation in multilateral talks w/ Eurocontrol states, John Kiser, Chief, Multilateral Coord. Staff, and Agnes Trainor, Transp. Industry Analyst	6	2,920	2
London, England 9-25-87	Discussions on Electronic Tariffs Filings, Thomas Moore, Chief, Tariffs Division, and Douglas Leister, Exec. Asst., Office of Int'l Aviation	6	3,596	2
New Delhi, India 9-26-87	U.S. -India Civil Aviation Mary Pett, Chief, Asia & Africa Division	7	2.400	1
Madrid, Spain Vienna, Austria 9-28-87	U.S. Delegation, Bilateral Civil Aviation Negotiations, Edward Oppler, Deputy Dir., Office of Int'l Aviation, and Ronald Miller, Transp. Industry Analyst	10	6,594	2
FY 1988				
October				
Mexico City, Mexico 10-3-87	Civil Aviation Negotiations w/ the Gov't of Mexico, Rosalind Ellingsworth, Asst. Dir. for Negotiations, and Carolyn Coldren, Transp. Industry Analyst	8	1,544	2

Destination	Purpose	Days	Cost	# Participants
FY 1988				
October				
London, England Moscow, USSR Brussels 10-7-87	To meet w/ Chinese (PRC) officials to review bilateral maritime agreement; to meet w/ U.K. maritime officials to discuss preparation for upcoming U.S. Consultative Shipping group meeting. Moscow: To represent OST negotiations on bilateral agreement, Arnold Levine, Dir., Office of Int'l Transportation & Trade	10	5,430	1
London, England 10-18-87	U.S. Delegation on Bilateral Civil Aviation, Paul Gretch, Director, Ofc. of Int'l Aviation, and Mary Street, Transp. Industry Analyst	6	3,674	2
November				
Ottawa, Canada 11-4-87	Negotiations on U.S.-Canada Free Trade Area Agreement, Dennis Marvich, Economist	3	630	1
Paris, France 11-8-87	Aviation consultations w/ French Gov't to discuss winter capacity, Rosalind Ellingsworth, Asst. Dir. for Negotiations, Charles Mallalieu, Transp. Industry Analyst	5	3,470	2
Mexico-Tijuana, Nogales, Ciudad Juarez 11-21-87	To consult w/ Mexican officials & U.S. border interests on trucking issues, Nancy MacRae, Chief, Maritime & Surface Division	11	1,888	1

Destination	Purpose	Days	Cost	# Participants
FY 1988				
December				
Rio de Janeiro Brazil 12-5-87	Civil Aviation Negotiations w/ the Gov't of Brazil, Rosalind Ellingsworth, Asst. Dir. for Negotiations	7	2,317	1
January				
London, England 1-5-88	To attend Bilateral Negotiations w/ the British, Paul Gretch, Director, Office of Int'l Aviation, and Mary Street, Transp. Industry Analyst	5	3,330	2
Mexico City, Mexico 1-24-88	To participate in civil aviation negotiations w/ the Gov't of Mexico, Rosalind Ellingsworth, Asst. Dir. for Negotiations, and Carolyn Coldren, Transp. Industry Analyst	6	1,764	2
February				
Toronto, Ontario Canada 2-8-88	To consult w/ Canadian officials on harmonization between U.S. & Canadian motor carrier safety regulations & on Great Lakes pilotage, Nancy MacRae, Chief, Maritime & Surface Division	3	538	1
Lima, Peru 2-24-88	U.S. Delegation for Maritime talks w/ the Peruvian Government, Gregory Dole, Deputy Asst. Secretary for Policy & Int'l Affairs, and Nancy MacRae, Chief, Maritime & Surface Division	3	2,840	2

Destination	Purpose	Days	Cost	# Participants
FY 1988				
March				
London, England 3-15-88	To attend Bilateral Negotiations w/ the British, Paul Gretch, Director, Office of Int'l Aviation, and Mary Street, Transp. Industry Analyst	5	3,010	2
April				
Moscow, USSR 4-1-88	U.S. Delegation on Trannsportation, Science & Technology, Voyce Mack, Deputy Dir. Office of Int'l Transportation & Trade	7	3,000	1
Ottawa, Canada 4-19-88	To participate in the annual meeting of the U.S.-Canada Great Lakes-Seaway Consultative Group, Gregory Dole, Deputy Asst. Secretary for Policy & Int'l Affairs, and Nancy MacRae, Chief, Maritime & Surface Division	2	436	1
Peoples Republic of China, Japan, Korea 4-21-88	To participate in maritime discussions w/ governments of the PRC, Japan & Korea Arnold Levine, Director, Office of Int'l Transportation and Trade	13	2,351	1

SENATOR LAUTENBERG: Your request "other costs" includes funds for "the development of approaches to implement U.S. international civil aviation policy and positions adopted by the Department." How much money do you have programmed for this activity?

ANSWER: We programmed $7,000 for FY 1989, for Census Bureau magnetic tapes on Imports and Exports by air carriers.

SENATOR LAUTENBERG: Does this funding support consultant or contractor services?

ANSWER: The funding supports contractors services but no consultants.

SENATOR LAUTENBERG: If so, why are you contracting out policy development which is presumably one of your core responsibilities?

ANSWER: Under the S&E account, the Policy Office only contracts out data entry and data processing work, in accordance with OMB Circular A-76. Policy development is performed in-house.

SENATOR LAUTENBERG: Please provide for the record a listing of all contracts related to this activity broken out by amount, purpose, work product, and recipient, from FY 1986 to present. Also, indicate not only the firm(s) involved, but the individuals performing the service. Further, explain why these policy development functions could not be accomplished in-house.

ANSWER: These contracts involve data processing and data entry functions and do not include international aviation policy development. The following table provides the requested information.

Fiscal Year	Amount	Purpose	Receipient
1986	$6,000	Magnetic tape covering U.S. Imports/Exports by by Air Carriers, Country of Origin, Destination & District of Entry/Exportation	Bureau of the Census
1987	$ 6,750	Magnetic tape covering U.S. Imports/Exports by by Air Carriers, Country of Origin, Destination & District of Entry/Exportation	Bureau of the Census
1988 (October - April)	$ 7,000	Magnetic tape covering U.S. Imports/Exports by by Air Carriers, Country of Origin, Destination & District of Entry/Exportation	Bureau of the Census

SENATOR LAUTENBERG: Provide a similar table for all other personal services contracts from FY 1986 to present, including your plans for FY 1989.

ANSWER: During this period, there were no personal services contracts. None are contemplated for FY 1989.

SENATOR LAUTENBERG: Please provide a table comparing your travel expenditures, number of trips, and cost per trip/person for fiscal years 1986 to present.

ANSWER: The following table provides the requested information.

Office of International Aviation

	FY 1986	FY 1987	FY 1988 (October/ March)
Expenditures ($)	$43,096	$27,306	$13,349
Number of Trips	24	15	10
Cost per trip/person	$1,795.67	$1,820.33	$1,334.90

SENATOR LAUTENBERG: Provide a breakout of work years by activity for fiscal year 1987 to present.

ANSWER: The following table provides the requested information.

Office of International Aviation

Activity	FY 1987 (Work Years)	FY 1988 (Work Years - Est)
Administrative	1.5	1.5
Licenses		
U.S. Carriers	7.0	7.0
Foreign Carriers	8.0	8.0
Tariff Processing	15.0	15.0
Tariff Evaluation	5.0	5.0
Multilateral Aviation Issues	2.5	2.5
Bilateral Aviation Issues	20.0	17.0
Total	59.0	56.0

BUDGET AND PROGRAMS

SENATOR LAUTENBERG: You are requesting funding for 2 additional FTE's. What increases in workload are you anticipating? Are you experiencing any significant backlogs or problems now? If so, will the 2 additional FTE's take care of them?

ANSWER: The funding for two additional FTE's for the Office of Budget and Programs are requested to reach the staffing levels authorized in the FY 1988 Conference Report. We have been compensating for reduced staff level by slowing down hiring to replace attrition. For example, one FTE has been saved by delaying replacement of the Budget Director and the Special Assistant to the Assistant Secretary for six months each--not actions we wish to repeat in FY 1989.

The other FTE saved was primarily the cumulative effect of delayed hiring to replace turnover in the clerical staff. As a result, we have experienced some delays this year in responding to requests for data from both OMB and the Congress. We believe the two additional FTE's will alleviate this situation and will allow us to be more responsive and enable us to do more in-depth analysis of budget-related problems.

GOVERNMENTAL AFFAIRS

SENATOR LAUTENBERG: You are estimating 47 FTEs - the same as for the current year, on a base of 48 positions. Why don't you expect greater turnover and a higher vacancy rate, since this is the last year of the current administration?

ANSWER: Of the 47 FTEs, 30 are for career-type support staff, all of whom will stabilize the transition to another administration when it occurs. For the remaining FTEs, we do expect some turnover, but, there could also be some overlap as replacements are brought on early. We have pinpointed a number of critical initiatives we are determined to advance during our

tenure. These include but are not limited to pursuing the issue of restructure of the Federal Aviation Administration, a continuing emphasis on safety enhancement in all modes of transportation, and securing adequate funding for the Coast Guard.

SENATOR LAUTENBERG: Please update the list of contracts appearing on pages 808 and 809 of last year's Senate Hearing (S. Hrg. 100-354, pt. 1). Include your FY 1989 planned program.

ANSWER: The Office of Technology and Planning Assistance has been reorganized into the Research and Special Programs Administration as directed by Congress in the FY 1988 Appropriations legislation. No procurement for the Office of Technology and Planning Assistance will take place in FY 1988 through the Assistant Secretary for Governmental Affairs.

SENATOR LAUTENBERG: Why was it necessary to spend $52,811 for a contractor to operate a document dissemination center for state and local governments in FY 1986? Why can't this be done in-house?

ANSWER: The Technology Sharing Program distributes approximately 75,000 new research reports annually pertaining to the technical assistance needs of state and local governments and other users from the transportation community. The program maintains an average inventory of over 200 active document titles that are also available at any time. The program responds to over 1,000 requests per week, which is far more than the Technology Sharing staff could personally respond to while continuing to produce a similar level of new reports. The Document Dissemination Center also maintains for the Program a mailing list which is unique from others maintained in the central distribution point of the Department and provides coverage to users particularly interested in the products produced by the program. The $52,811 amount indicated for FY 1986 was only this program's share of an ongoing contract to operate the Document Center. The balance of the contract amount was funded through interagency agreements.

SENATOR LAUTENBERG: Why did you have to hire a <u>new</u> contractor at $96,000 to operate this center in FY 1987?

ANSWER: A new contractor was hired to operate the Document Center due to the fact that the previous contractor had graduated from the small business category of contractors and was no longer eligible for this type of contract. The contract for the document center currently is about $120,000 per year. As stated above, this contract is incrementally funded from the program funds as well as from other modal administrations in varying amounts depending on the amount of support and cooperative efforts that have been agreed upon. The amount indicated was the portion of the contract provided through this program.

SENATOR LAUTENBERG: Why are you unable to develop information bulletins and casebooks in-house rather than contracting out for them at a cost of $60,000 as you did in fiscal year 1987?

ANSWER: As a cost-saving strategy, the program continually seeks creative and innovative studies that have been generated at the state and local levels for dissemination on a national level. These products often need some editing and reworking to make them neutral and applicable to other users. This aspect of the program takes much of the current staff time available to the office. When a technical problem arises or we see a trend developing for which there is no known research or documentation available, this program has used its program funds to contract for a study. This frequently happens in areas where several modes of transportation may be involved, therefore not easily fitting in the program area of any one of the operating elements of the Department.

SENATOR LAUTENBERG: Provide a breakout of the workyears allocated on any activities mentioned in the justification for fiscal years 1987 to present.

ANSWER: The following is a breakout of workyears allocated among the activities mentioned in the justifications.

	FY-1987	FY-1988
Immediate Office of the Assistant Secretary	10.0	10.0
Office of Congressional Affairs	13.0	13.0
Office of Intergovernmental and Consumer Affairs	21.3	24.0
Office of Technology and Planning Assistance	4.7	-
TOTAL FTE	49.0	47.0

CONSUMER COMPLAINTS

SENATOR LAUTENBERG: Provide a table for the record comparing complaints received, by appropriate category and airline, for calendar years 1985-1988 to date.

ANSWER: The information follows:

COMPARISON OF COMPLAINT CATEGORIES
1985 - 1988

COMPLAINT CATEGORY	1985 (CY) RANK	TOTAL COMPLAINTS	% OF TOTAL COMPLAINTS	1986 (CY) RANK	TOTAL COMPLAINTS	% OF TOTAL COMPLAINTS	1987 (CY) RANK	TOTAL COMPLAINTS	% OF TOTAL COMPLAINTS	1988 (1st QTR) RANK	TOTAL COMPLAINTS	% OF TOTAL COMPLAINTS
Flight Problems	1	2718	24.39	1	3683	28.90	1	18618	41.51	1	3624	42.38
Oversales	4	1014	9.10	4	1037	8.13	6	2374	5.29	6	504	5.89
Reservations Ticketing Boarding	6	579	5.19	5	830	6.51	5	2734	6.09	5	526	6.15
Fares	5	580	5.20	8	532	4.17	8	1063	2.37	9	136	1.59
Refunds	3	1756	15.76	3	1909	14.98	4	3762	8.38	4	677	7.91
Baggage	2	2529	22.69	2	2583	20.27	2	8240	18.37	2	1656	19.36
Customer Service	8	531	4.76	6	760	5.96	3	4068	9.07	3	759	8.87
Smoking	10	303	2.71	9	348	2.73	9	1037	2.31	8	192	2.24
Advertising	11	143	1.28	11	142	1.11	10	411	.92	10	67	.78
Credit	12	37	.33	12	42	.32	12	107	.24	12	22	.25
Tours	9	409	3.67	10	182	1.42	11	335	.74	11	50	.58
Other	7	544	4.88	7	693	5.43	7	2096	4.67	7	338	3.95
Industry Total		11,142			12,741			44,845			8,551	

Source: DOT Complaint Statistics

Department of Transportation
U.S. Airlines
Complaints By Category (Footnote A)
for the year 1985

The following U.S. airlines had 10 or more informal consumer complaints filed during the year 1985.

AIRLINE	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVERTISING	CREDIT	TOURS	OTHER	TOTAL
AERO VIRGIN ISLANDS	3	1	0	0	1	18	0	0	0	0	0	0	23
AIR CALIFORNIA	5	4	1	3	2	6	0	0	2	0	0	2	25
AIR MIDWEST	11	1	2	1	0	4	1	0	0	0	0	0	20
AIR WISCONSIN	7	2	0	0	0	2	1	0	0	0	0	0	12
ALASKA AIRLINES	1	4	3	0	1	5	0	0	1	0	0	1	16
AMERICA WEST AIRLINES	21	14	2	0	7	16	5	1	0	0	0	1	67
AMERICAN AIRLINES	162	37	43	39	56	123	38	15	6	2	2	25	548
AMERICAN TRANS AIR	5	0	2	0	0	28	0	1	1	0	0	0	37
ARROW AIR	24	13	0	2	13	26	5	2	0	0	3	5	93
BRANIFF, INC.	7	7	3	0	17	12	3	2	0	0	0	1	52
BRITT AIRWAYS	5	2	2	0	3	5	2	0	0	0	0	0	19
CAPITOL AIR	3	0	0	0	132	13	0	0	0	0	0	4	152
CARRIBEAN EXPRESS	4	4	1	0	5	12	0	0	0	0	0	2	28

AIRLINE	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVERTISING	CREDIT	TOURS	OTHER	TOTAL
COMAIR	5	3	0	0	0	2	1	1	0	0	0	1	13
CONTINENTAL AIRLINES	171	82	31	12	112	180	47	18	4	0	1	22	680
DELTA AIR LINES	66	26	24	42	25	34	18	9	8	0	1	11	264
EASTERN AIR LINES	197	30	35	46	78	195	43	15	6	6	1	17	669
EMPIRE AIRLINES	13	12	0	2	3	13	0	0	1	0	0	1	45
FIVE STAR AIRLINE/ INTERFACE	9	0	0	0	0	4	1	0	0	0	1	0	15
FLORIDA EXPRESS	15	4	1	1	1	4	1	2	0	0	0	0	29
FRONTIER AIRLINES	22	2	11	2	8	18	8	2	1	1	0	4	79
HAWAIIAN AIRLINES	12	7	0	0	1	32	3	0	0	0	0	1	56
HORIZON AIRLINES	6	3	0	0	1	3	1	0	0	0	0	1	15
IMPERIAL AIRLINES	3	0	0	0	1	7	2	0	0	0	0	0	13
JET AMERICA AIRLINES	7	3	0	1	2	7	0	0	0	0	0	0	20
MALL AIRWAYS	4	3	1	0	1	0	1	0	0	0	0	1	11
MIDWAY	20	6	5	3	5	14	3	1	4	1	0	1	63
MUSE AIR CORPORATION	3	4	1	0	4	7	3	0	0	0	0	2	24
NATIONAL AIRLINES	7	1	0	0	0	4	1	3	0	0	4	1	21
NEW YORK AIR	23	12	3	1	4	22	3	4	4	1	0	3	80
NORTHEASTERN INT'L AIRWAYS	28	21	1	1	272	17	4	0	0	0	0	2	346
NORTHWEST AIRLINES	76	18	11	13	25	46	15	28	4	2	2	10	248

AIRLINE	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVERTISING	CREDIT	TOURS	OTHER	TOTAL
OZARK AIRLINES	10	7	3	2	2	12	4	0	1	0	0	0	41
PACIFIC SOUTHWEST AIRLINES	18	11	1	2	10	27	1	2	1	0	0	3	76
PAN AMERICAN WORLD AIRWAYS	124	94	34	23	77	187	34	37	13	6	4	31	664
PEOPLE EXPRESS AIRLINES	195	80	56	105	40	121	30	5	27	0	0	14	673
PIEDMONT AVIATION	38	10	9	10	10	24	11	7	1	0	0	3	123
PIONEER AIRLINES	2	2	0	0	2	9	0	0	0	0	0	0	15
PRIDE AIR INC.	13	0	1	0	57	0	0	0	0	0	0	1	72
PRINAIR	6	0	1	0	2	46	1	0	0	0	0	0	56
PRO AIR SERVICES	14	4	0	1	2	7	0	0	0	0	0	0	28
PROVINCETOWN BOSTON AIRLINES	3	1	2	2	5	1	0	0	0	0	0	1	15
REPUBLIC AIRLINES	68	30	18	20	25	36	13	14	2	0	0	6	232
ROCKY MOUNTAIN AIRWAYS	6	4	0	0	1	17	0	0	0	0	0	1	29
SIMMONS AIRLINES	13	3	2	0	1	7	2	0	0	0	0	4	32
SOUTH PACIFIC ISLAND AIRWAYS	14	0	0	0	9	3	0	1	0	0	0	0	27
SOUTHERN EXPRESS	10	13	0	0	5	13	1	0	0	0	0	0	42
SOUTHWEST AIRLINES	17	5	1	4	4	9	4	0	0	0	0	3	47

AIRLINE	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVERTISING	CREDIT	TOURS	OTHER	TOTAL
TOWER AIR	9	0	0	0	0	8	3	0	0	0	2	3	25
TRANS AIR	13	6	0	1	10	14	0	0	0	0	0	3	47
TRANS WORLD AIRLINES	165	61	52	45	51	180	54	27	17	9	13	26	700
TRANS AMERICAN AIRLINES	7	0	1	0	4	4	0	0	0	0	0	1	17
UNITED AIRLINES	442	44	43	69	112	127	46	28	6	4	1	24	946
USAIR	76	38	29	22	31	61	14	13	1	0	0	7	292
WESTAIR COMMUTER AIRLINES	4	8	0	0	0	7	0	0	0	0	0	0	19
WESTERN AIR LINES	47	26	6	8	24	39	13	5	1	2	0	6	177
WINGS WEST	9	5	0	0	3	4	2	0	0	0	0	0	23
WORLD AIRWAYS	32	13	9	1	56	46	12	1	4	0	0	2	176

Department of Transportation
Consumer Complaint Report
for the Year 1985 (Footnote B)

Complaints per 100,000 Passengers

U.S. AIRLINES (MAJORS/NATIONALS) ALPHABETICAL	TOTAL COMPLAINTS	PASSENGERS FLOWN (100,000)	COMPLAINTS PER 100,000 PASSENGERS
AIR CALIFORNIA	25	45.42	.55
ALASKA AIRLINES	16	29.90	.54
ALOHA AIRLINES	3	25.07	.12
AMERICAN AIRLINES	548	402.68	1.36
BRANIFF INC.	52	22.82	2.28
CONTINENTAL AIRLINES	680	156.79	4.34
DELTA AIRLINES	264	395.16	.67
EASTERN AIR LINES	669	414.86	1.61
FRONTIER AIRLINES	79	70.91	1.11
HAWAIIAN AIRLINES	56	35.53	1.58
MIDWAY AIRLINES	63	17.14	3.68
NEW YORK AIR	80	33.40	2.40
NORTHWEST AIRLINES	248	147.29	1.68
OZARK AIR LINES	41	56.36	.73
PACIFIC SOUTHWEST AIRWAYS	76	88.27	.86
PAN AMERICAN WORLD AIRWAYS	664	131.10	5.06
PEOPLE EXPRESS AIRLINES	673	146.66	4.59
PIEDMONT AVIATION	123	174.35	.71
REPUBLIC AIRLINES	232	166.61	1.39
SOUTHWEST AIRLINES	47	131.85	.36
TRANS WORLD AIRLINES	700	209.62	3.39
TRANSAMERICA AIRLINES	17	6.93	2.45
UNITED AIRLINES	946	385.38	2.45
USAIR	292	191.10	1.53
WESTERN AIRLINES	177	119.13	1.49
WORLD AIRWAYS	176	16.80	10.48
TOTAL MAJORS/NATIONALS	6,943	3621.13	1.92
AVERAGES (BASED ON 26 AIRLINES)	276.04	139.27	1.92

Department of Transportation
Consumer Complaint Report (Footnote B)
for the Year 1985

Complaints per 100,000 Passengers

U.S. AIRLINES (MAJORS/NATIONALS) RANKING	RANK	TOTAL COMPLAINTS	PASSENGERS FLOWN (100,000)	COMPLAINTS PER 100,000 PASSENGERS
WORLD AIRWAYS	1	176	16.80	10.48
PAN AMERICAN WORLD AIRWAYS	2	664	131.10	5.06
PEOPLE EXPRESS AIRLINES	3	673	146.66	4.59
CONTINENTAL AIRLINES	4	680	156.79	4.34
MIDWAY AIRLINES	5	63	17.14	3.68
TRANS WORLD AIRLINES	6	700	209.62	3.39
UNITED AIRLINES	7	946	385.38	2.45
TRANSAMERICA AIRLINES	8	17	6.93	2.45
NEW YORK AIR	9	80	33.40	2.40
BRANIFF INC.	10	52	22.82	2.28
NORTHWEST AIRLINES	11	248	147.29	1.68
EASTERN AIR LINES	12	669	414.86	1.61
HAWAIIAN AIRLINES	13	56	35.53	1.58
USAIR	14	292	191.10	1.53
WESTERN AIR LINES	15	177	119.13	1.49
REPUBLIC AIRLINES	16	232	166.61	1.39
AMERICAN AIRLINES	17	548	402.68	1.36
FRONTIER AIRLINES	18	79	70.91	1.11
PACIFIC SOUTHWEST AIRLINES	19	76	88.27	.86
OZARK AIR LINES	20	41	56.36	.73
PIEDMONT AVIATION	21	123	174.35	.71
DELTA AIR LINES	22	264	395.16	.67
AIR CALIFORNIA	23	25	45.42	.55
ALASKA AIRLINES	24	16	29.90	.54
SOUTHWEST AIRLINES	25	47	131.85	.36
ALOHA AIRLINES	26	3	25.07	.12

Department of Transportation
Foreign Airlines
Complaints By Category (Footnote A)
for the Year 1985

The following foreign airlines had 10 or more informal consumer complaints filed during the year 1985.

AIRLINE	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVERTISING	CREDIT	TOURS	OTHER	TOTAL
AER LINGUS	3	1	1	1	1	1	2	1	0	0	0	0	11
AEROLINEAS ARGENTINAS	1	0	0	2	2	7	0	1	0	0	0	0	13
AEROMEXICO	17	2	1	0	2	19	4	0	0	0	0	4	49
AIR CANADA	1	0	0	3	1	6	0	0	0	0	0	2	13
AIR FRANCE	0	1	0	4	2	10	0	0	0	0	0	1	18
AIR INDIA	4	0	3	0	4	2	0	0	0	0	0	0	13
AIR JAMAICA	11	7	1	1	3	14	5	0	0	0	1	0	43
AIR PANAMA INTERNATIONAL	0	2	1	2	1	7	0	0	0	0	0	0	13
ALIA JORDANIAN AIRLINES	0	3	1	1	5	4	0	0	0	0	0	0	14
ALITALIA AIRLINES	6	9	0	1	3	26	2	2	0	0	0	0	49
BAHAMASAIR HOLDINGS	18	0	0	0	0	18	3	0	0	0	0	3	42
BRITISH AIRWAYS	8	0	4	3	6	13	5	2	0	0	0	1	42
BRITISH CALEDONIAN AIRWAYS	1	0	0	1	0	5	1	1	1	0	0	0	10

AIRLINE	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVERTISING	CREDIT	TOURS	OTHER	TOTA
AVIA	8	14	1	1	0	16	0	0	0	0	0	1	41
CHINA AIRLINES	2	2	2	0	3	2	0	1	0	0	0	0	12
DOMINCANA DE AVIACION	5	13	1	1	2	13	0	0	0	0	2	0	37
DOMINCANA INTERNACIONAL AIRLIN	1	2	0	0	0	8	0	0	0	0	0	0	11
EL AL ISRAEL	0	4	2	0	0	3	1	0	0	0	0	0	10
IBERIA AIRLINES	5	10	1	1	6	31	4	2	0	0	0	0	60
ICELANDAIR	9	6	3	2	3	5	1	1	2	0	0	3	33
KLM	1	1	0	2	4	9	0	0	0	0	0	0	17
KOREAN AIR LINES	1	4	3	1	4	5	1	0	0	0	0	0	19
LUFTHANSA	0	2	1	5	2	8	1	0	1	0	0	0	20
MEXICANA	12	10	3	0	4	51	6	0	0	0	0	1	87
OLYMPIC AIRWAYS	7	3	0	0	1	8	0	0	0	0	0	0	19
PAKISTAN INTERNATIONAL AIRLINES	1	1	2	0	1	4	0	0	0	0	0	1	10
PHILIPPINE AIRLINES	1	2	2	1	4	2	0	0	0	0	0	0	12
SABENA	2	4	0	0	2	4	1	0	0	0	0	0	13
TACA INTERNATIONAL AIRLINES	3	5	1	0	0	12	1	0	0	0	0	1	23
VARIG AIRLINES	3	2	2	1	0	4	0	1	1	0	0	0	16
VIASA	1	4	0	0	4	2	1	0	0	0	0	1	13
VIRGIN ATLANTIC	6	8	3	0	5	5	0	0	0	0	0	0	27

Department of Transportation
Consumer Complaint Report
for the year 1985(Footnote A)

All Services

INDUSTRY GROUPS	COMPLAINTS	OPINIONS	COMPLIMENTS	REQUESTS FOR INFORMATION	TOTAL, COMPLAINTS THRU REQUESTS
U.S. AIRLINES	8791	79	12	736	9618
FOREIGN AIRLINES	1059	7	2	93	1161
CARGO	34	0	0	6	40
TRAVEL AGENTS	114	0	0	17	131
TOUR OPERATORS	387	1	1	90	479
MISCELLANEOUS COMPANIES	757	78	3	1088	1926
INDUSTRY TOTAL	11,142	165	18	2030	13,355

NOTE: THERE WERE A TOTAL OF 12,085 CASES DURING THE YEAR

Department of Transportation
Consumer Complaint Report
for the Year 1985 (Footnote A)

Complaints by Category

COMPLAINT CATEGORY	RANKING	TOTAL COMPLAINTS
FLIGHT PROBLEMS...	1	2718
BAGGAGE.....	2	2529
REFUNDS.....	3	1756
OVERSALES.....	4	1014
FARES.....	5	580
TICKETING/BOARDING.	6	579
OTHER.....	7	544
CUSTOMER SERVICE...	8	531
TOURS.....	9	409
SMOKING.....	10	303
ADVERTISING.....	11	143
CREDIT.....	12	37
		11,142

FOOTNOTES TO REPORT

A. This year-end report is based on informal complaints the Department has received by mail or telephone. The data represents a combination of information taken from two different computer programs. The first program encompassed the period January 1 through March 31, 1985, the other source covers the balance of the year. We have not determined the validity of each complaint. The types of problems included in each category are:

Flight Problems: Cancellations, delays, or any other deviations from schedule, whether planned or unplanned.

Oversales: All bumping problems, whether or not the airline complied with DOT oversale regulations.

Reservations, Ticketing and Boarding: Airline or agent mistakes in reservations and ticketing; problems in making reservations and obtaining tickets due to busy telephone lines or waiting in line, or delays in mailing tickets. Problems boarding the aircraft.

Fares: Incorrect or incomplete information about fares, discount fare conditions and availability, overcharges, fare increases and level of fares in general.

Refunds: Problems in obtaining refunds for unused or lost tickets.

Baggage: Lost, damaged or delayed baggage claims, charges for excess baggage, carry-on problems, and difficulties with airline claim procedure.

Customer Service: Rude or unhelpful employees, inadequate meals or cabin service, treatment of delayed passengers, and discriminatory treatment.

Smoking: Inadequate segregation of smokers from non-smokers, failure of airline to enforce no-smoking rules, objections to the rules.

Advertising: Advertising that is unfair, misleading or offensive to consumers.

Credit: Denial of credit, interest or late payment charges, incorrect billing, or incorrect credit reports.

Tours: Problems with scheduled or charter tour packages.

Other: Cargo problems, security, airport facilities, claims for bodily injury, and other problems not classified above.

B. The number of passengers flown is based on adjusted enplanement data on RSPA Form 41 reports filed by certificated airlines. For the 12 month report, the number of passengers flown are from November 1984 through October 1985.

DEPARTMENT OF TRANSPORTATION CONSUMER COMPLAINT REPORT
FOR THE PERIOD JANUARY 1986 THROUGH DECEMBER 1986
BY CATEGORY OF COMPLAINT (SEE FOOTNOTE A)

U.S. AIRLINES	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING	BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVER-TISING	CREDIT	TOURS	OTHER	TOTAL
AFAB VIRGIN ISLANDS	5	5	0	0	1	11	1	0	0	0	0	1	1	24
AIR ATLANTA	6	0	0	1	0	6	2	0	1	1	0	0	0	17
AIR CALIFORNIA	21	6	3	0	6	10	6	1	0	0	0	5	5	58
AIR HAWAII	12	3	1	0	164	2	1	1	0	1	0	7	1	192
AIR MIDWEST	5	3	0	1	1	4	0	0	0	0	0	0	0	14
AIR NEW ORLEANS	3	2	0	0	5	8	1	0	0	0	0	0	0	19
AIR WISCONSIN	7	0	1	0	0	3	1	1	0	0	0	0	1	14
ALASKA AIRLINES	5	2	0	2	1	8	6	1	0	0	0	0	1	26
AMERICA WEST AIRLINES	17	10	6	2	7	17	2	5	0	0	0	1	0	67
AMERICAN AIRLINES	191	33	53	42	72	129	51	30	5	0	3	33	0	642
AMERICAN TRANS AIR	5	0	7	0	0	11	1	0	0	0	0	0	0	28
ATLANTIC GULF AIRLINES	5	0	1	0	1	4	0	0	0	0	0	0	0	11
ATLANTIC SOUTHEAST AIRLINES	3	0	1	0	0	4	1	2	0	0	0	0	0	11
BAR HARBOR AIRLINES	6	1	1	0	2	4	0	0	0	0	0	0	0	14
BRANIFF INC.	7	4	1	1	8	7	1	1	1	0	0	3	0	34
BRITT AIRWAYS	14	4	3	1	0	3	2	0	0	0	0	0	0	27
CARIBBEAN EXPRESS	23	3	2	0	6	4	1	0	0	0	0	2	0	41
CHALLENGE INTERNATIONAL AIRLINE	4	1	2	0	2	7	0	0	0	0	0	0	0	16
CONTINENTAL AIRLINES	171	71	44	38	169	130	52	15	15	3	0	19	0	727
COMMAIR	3	1	0	0	1	10	1	0	0	0	0	0	0	16
DELTA AIR LINES	63	9	25	27	27	42	14	15	3	0	0	6	0	231
EASTERN AIR LINES	422	39	49	29	125	226	72	23	5	1	4	38	0	1033
FLORIDA EXPRESS	30	13	4	0	3	10	0	1	0	0	0	1	0	62
HILO AIR	3	5	0	0	0	7	0	0	0	0	0	0	0	15
HAWAIIAN AIRLINES	25	32	1	0	3	49	6	6	0	1	1	2	0	126
HORIZON AIRLINES	6	0	0	1	0	7	1	0	0	0	0	0	0	15
JET AMERICA AIRLINES	13	2	0	1	2	6	0	0	4	0	1	0	0	29
MIDWAY AIRLINES	8	2	4	3	6	4	6	1	0	1	0	1	0	36
NEW YORK AIR	57	31	11	10	10	56	14	5	5	1	1	5	0	206
NORTHEASTERN INT'L. AIRWAYS	1	1	0	0	35	1	0	0	1	0	0	0	0	39
NORTHWEST AIRLINES	188	29	28	11	37	84	25	16	2	3	0	32	0	455
OTHER REGIONAL CARRIER	7	1	0	1	2	2	2	0	0	0	0	0	0	17
OTHER US COMMUTERS & AIR TAXIS	12	5	1	0	6	5	0	0	1	0	0	2	0	32
PIEDMONT AIRLINES	13	0	7	3	2	16	3	1	1	0	0	2	0	48
PACIFIC SOUTHWEST AIRLINES	31	11	9	6	6	29	7	0	2	0	0	2	0	111
PAN AMERICAN WORLD AIRWAYS	127	69	44	21	66	154	33	19	7	4	0	33	0	577
PEOPLE EXPRESS AIRLINES	377	95	81	107	96	196	38	4	22	0	0	17	0	1033
PIEDMONT AIRLINES	92	18	13	13	14	41	19	12	7	2	0	4	0	237
PILGRIM AIRLINES	4	0	1	1	0	3	1	0	0	0	0	1	0	11

U.S. AIRLINES	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVERTISING	CREDIT	TOURS	OTHER	TOTAL
PIEDMONT AIRLINES	2	1	0	0	2	3	0	0	0	0	0	3	11
PRESIDENTIAL AIRWAYS	39	14	4	4	2	15	10	1	5	0	0	3	97
PRIDE AIR, INC.	0	0	0	0	95	0	0	0	0	0	0	0	95
PRO AIR SERVICES	19	5	2	0	4	16	0	1	0	0	0	0	47
PROVINCETOWN MISTON AIRLINES	13	5	1	1	10	4	1	0	0	0	0	1	36
REGENT AIR CORPORATION	3	0	2	0	35	0	0	0	1	0	0	11	52
REPUBLIC AIRLINES	156	48	23	11	39	48	32	19	1	0	0	9	386
ROCKY MOUNTAIN AIRWAYS	9	2	0	1	0	17	2	0	0	0	0	0	31
SIERRA AIRLINES	25	1	0	0	0	4	1	0	0	0	0	1	34
SKY WEST AVIATION	4	4	2	0	0	5	0	0	0	0	0	0	15
SOUTHWEST AIRLINES	22	8	8	4	3	12	3	1	2	0	0	4	68
SUNWORLD INTERNATIONAL AIRWAYS	3	3	1	0	3	2	1	0	0	0	0	0	13
TIMER AIR	1	0	0	0	0	5	2	0	0	0	0	2	10
TRANS WORLD AIRLINES	218	57	57	41	81	178	69	23	15	12	2	44	797
TRANSTAR	16	7	3	1	4	13	2	2	1	0	0	1	50
UNITED AIRLINES	498	72	105	46	94	222	129	56	12	0	2	53	1297
USAIR	94	52	28	14	33	31	34	20	0	0	1	15	322
WESTERN AIRLINES	45	14	14	10	23	25	6	5	1	2	0	10	155
WINGS WEST	4	1	0	0	0	5	0	0	0	0	0	0	10
WORLD AIRWAYS	88	25	18	3	55	44	10	2	0	0	0	5	250
OTHER U.S. AIRLINES	46	25	6	7	23	67	12	1	1	0	0	14	197
JANUARY 1986 THROUGH DECEMBER 198	3249	836	671	460	1394	2040	685	299	121	40	15	394	10254
PERCENT OF TOTAL COMPLAINTS	32.1	8.1	6.5	4.4	13.5	19.8	6.6	2.9	1.1	.3	.1	3.8	100.0

DEPARTMENT OF TRANSPORTATION CONSUMER COMPLAINT REPORT
FOR THE PERIOD JANUARY 1986 THROUGH DECEMBER 1986
COMPLAINTS PER 100,000 PASSENGERS (SEE FOOTNOTE A)

U.S. AIRLINES (MAJORS/NATIONALS) ALPHABETICAL	TOTAL COMPLAINTS	PASSENGERS FLOWN (100,000)	COMPLAINTS PER 100,000 PASSENGERS
AIR CALIFORNIA	58	48.96	1.19
ALASKA AIRLINES	26	36.35	.72
ALOHA AIRLINES	7	27.98	.25
AMERICA WEST AIRLINES	67	67.35	1.00
AMERICAN AIRLINES	642	452.59	1.42
BRANIFF INC.	36	24.30	1.48
CONTINENTAL AIRLINES	727	192.08	3.79
DELTA AIR LINES	231	407.90	.57
EASTERN AIR LINES	1033	422.01	2.45
HAWAIIAN AIRLINES	126	41.28	3.05
JET AMERICA AIRLINES	29	8.99	3.23
MIDWAY AIRLINES	36	27.09	1.33
NEW YORK AIR	206	46.30	4.45
NORTHWEST AIRLINES 1/	455	170.37	2.67
OZARK AIR LINES 2/	48	50.34	.95
PACIFIC SOUTHWEST AIRLINES	111	107.19	1.04
PAN AMERICAN WORLD AIRWAYS	577	127.76	4.52
PEOPLE EXPRESS AIRLINES	1033	140.68	7.34
PIEDMONT AIRLINES	237	219.41	1.08
REPUBLIC AIRLINES 1/	366	177.18	2.18
SOUTHWEST AIRLINES	60	128.98	.47
TRANS WORLD AIRLINES 2/	797	192.85	4.13
TRANSTAR	50	22.60	2.21
UNITED AIRLINES	1297	485.54	2.67
USAIR	302	215.02	1.41
WESTERN AIR LINES	155	121.28	1.28
WORLD AIRWAYS	250	16.07	15.56
TOTAL MAJORS/NATIONALS	6982	3978.60	2.26
AVERAGES (BASED ON 27 AIRLINES)	332.67	147.36	2.26

1/ Northwest and Republic consolidated operations in October 1986. Complaints filed against the merged company for November and December 1986 will not be measured against consolidated enplanement data because of the normal two month lag in obtaining such data. (Also, see Footnote B to report.)

2/ TWA and Ozark consolidated operations in October 1986. Complaints filed against the merged company for November and December 1986 will not be measured against consolidated enplanement data because of the normal two month lag in obtaining such data. (Also, see Footnote B to report.)

DEPARTMENT OF TRANSPORTATION CONSUMER COMPLAINT REPORT
FOR THE PERIOD JANUARY 1986 THROUGH DECEMBER 1986
COMPLAINTS PER 100,000 PASSENGERS (SEE FOOTNOTE A)

U.S. AIRLINES (MAJORS/NATIONALS) RANKING	RANK	TOTAL COMPLAINTS	PASSENGERS FLOWN (100,000)	COMPLAINTS PER 100,000 PASSENGERS
WORLD AIRWAYS	1	250	16.07	15.56
PEOPLE EXPRESS AIRLINES	2	1033	140.68	7.34
PAN AMERICAN WORLD AIRWAYS	3	577	127.76	4.52
NEW YORK AIR	4	206	46.30	4.45
TRANS WORLD AIRLINES 1/	5	797	192.85	4.13
CONTINENTAL AIRLINES	6	727	192.08	3.79
JET AMERICA AIRLINES	7	29	8.99	3.23
HAWAIIAN AIRLINES	8	126	41.28	3.05
NORTHWEST AIRLINES 2/	9	455	170.37	2.67
UNITED AIRLINES	10	1297	485.54	2.67
EASTERN AIR LINES	11	1033	422.01	2.45
TRANSTAR	12	50	22.69	2.21
REPUBLIC AIRLINES 2/	13	386	177.18	2.18
PRANIFF INC.	14	36	24.30	1.48
AMERICAN AIRLINES	15	642	452.99	1.42
USAIR	16	302	215.02	1.41
MIDWAY AIRLINES	17	36	27.09	1.33
WESTERN AIR LINES	18	155	121.28	1.28
AIR CALIFORNIA	19	58	48.94	1.19
PIEDMONT AIRLINES	20	257	219.41	1.08
PACIFIC SOUTHWEST AIRLINES	21	111	107.19	1.04
AMERICA WEST AIRLINES	22	67	67.35	1.00
OZARK AIR LINES 1/	23	48	50.36	.95
ALASKA AIRLINES	24	24	34.33	.72
DELTA AIR LINES	25	231	407.90	.57
SOUTHWEST AIRLINES	26	60	128.98	.47
ALOHA AIRLINES	27	7	27.98	.25

1/ TWA and Ozark consolidated operations in October 1986. Complaints filed against the merged company for November and December 1986 will not be measured against consolidated enplanement data because of the normal two month lag in obtaining such data. (Also, see Footnote B to report.)

2/ Northwest and Republic consolidated operations in October 1986. Complaints filed against the merged company for November and December 1986 will not be measured against consolidated enplanement data because of the normal two month lag in obtaining such data. (Also, see Footnote B to report.)

DEPARTMENT OF TRANSPORTATION CONSUMER COMPLAINT REPORT
FOR THE PERIOD JANUARY 1986 THROUGH DECEMBER 1986
BY CATEGORY OF COMPLAINT (SEE FOOTNOTE A)

FOREIGN AIRLINES	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVER-TISING	CREDIT	TOURS	OTHER	TOTAL
AER LINGUS	3	2	1	1	3	1	1	1	0	0	0	0	1
AEROMEXICO	20	7	1	0	6	12	5	1	0	0	1	1	
AIR CANADA	2	1	0	1	2	5	1	0	0	0	1	0	
AIR FRANCE	2	0	3	1	4	7	0	0	0	0	0	4	
AIR INDIA	2	3	4	0	1	6	0	0	0	0	0	0	
AIR JAMAICA	10	10	1	1	1	12	5	0	1	0	0	1	
ALITALIA AIRLINES	4	9	4	2	3	19	1	0	0	0	1	2	
ALM	4	1	0	1	3	3	0	1	0	0	0	2	
AVIANCA	8	5	0	2	4	6	1	0	0	0	0	2	
BAHAMASAIR HOLDINGS	2	4	0	0	4	16	0	1	0	0	1	3	
BRITISH AIRWAYS	3	3	3	1	4	7	1	0	3	0	1	2	
BWIA	15	8	2	1	3	18	2	1	0	0	2	2	
COMPANIA DE AVIACION	24	26	1	0	5	34	3	0	0	0	0	2	
ECUATORIANA	0	3	0	2	2	3	0	0	0	0	0	0	
EL AL ISRAEL	4	4	1	0	1	5	2	0	0	0	0	0	
INDIA AIRLINES	2	0	1	0	4	20	0	0	0	0	0	0	
ICELANDAIR	0	1	1	0	2	7	1	0	0	0	0	0	
KLM	0	3	2	0	5	4	1	0	0	0	1	0	
KUWAIT AIR LINES	0	1	3	0	5	5	0	0	0	0	0	1	
KUWAIT AIRWAYS	1	0	1	0	2	8	0	0	0	0	0	0	
LUFTHANSA	2	3	2	2	2	6	2	2	0	0	0	1	
MEXICANA	35	20	6	1	5	48	3	2	0	0	0	3	
OTHER FOREIGN CARRIER, CHARTER	2	3	0	0	1	4	1	1	0	0	0	1	1
PHILIPPINE AIRLINES	2	4	2	0	2	4	0	0	0	0	0	2	
SABENA	2	7	0	0	4	1	0	1	0	0	0	1	
TACA INTERNATIONAL AIRLINES	4	2	1	0	5	5	0	0	0	0	0	2	
VARIG AIR INES	2	1	2	0	1	2	1	0	0	0	0	1	
VIRGIN ATLANTIC	4	1	0	5	1	4	0	0	1	0	0	0	
YUGOSLAV AIRLINES	0	2	0	1	1	7	0	0	0	0	1	1	
OTHER FOREIGN AIRLINES	25	24	18	6	32	72	8	4	0	0	1	9	
JANUARY 1986 THROUGH DECEMBER 198	184	170	62	28	124	351	40	19	5	0	9	48	1
PERCENT OF TOTAL COMPLAINTS	17.8	16.4	6.0	2.7	12.0	34.0	3.8	1.8	.4	.0	.0	3.0	10

DEPARTMENT OF TRANSPORTATION CONSUMER COMPLAINT REPORT
FOR THE PERIOD JANUARY 1986 THROUGH DECEMBER 1986
BY CATEGORY OF COMPLAINT (SEE FOOTNOTE A)

COMPANY	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVER-TISING	CREDIT	TOURS	OTHER	TOTAL
AMERICAN TRANS AIR	10	0	0	1	0	27	2	3	0	0	0	1	4
OTHER TOUR OPERATORS	1	0	1	1	11	0	0	0	0	0	14	1	1
SKYSTAR INTERNATIONAL	3	0	0	0	0	2	0	0	0	0	4	3	1
PANFA AIR	3	0	1	0	0	0	2	1	0	0	0	4	1
TRANSAFRICA AIRLINES	5	0	0	0	1	1	1	0	0	0	1	1	1
OTHER CHARTERS	27	1	4	0	26	24	3	1	1	0	65	5	1
JANUARY 1986 THROUGH DECEMBER 198	49	1	6	2	38	54	8	5	1	0	86	15	2
PERCENT OF TOTAL COMPLAINTS	18.4	.3	2.2	.7	14.3	20.3	3.0	1.8	.3	.0	32.4	5.6	100.

DEPARTMENT OF TRANSPORTATION CONSUMER COMPLAINT REPORT
FOR THE PERIOD JANUARY 1986 THROUGH DECEMBER 1986
BY CATEGORY OF COMPLAINT (SEE FOOTNOTE A)

			RESERVATIONS										
MAJOR COMPANIES	FLIGHT PROBLEMS	OVER-SALES	TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVER-TISING	CREDIT	TOURS	OTHER	TOTAL
CARGO													
MINOR CARGO CARRIERS & FORWARDS	0	0	0	0	0	4	0	0	1	0	0	27	34
MINOR CARGO	0	0	0	0	0	5	0	0	0	0	0	17	22
JANUARY 1986 THROUGH DECEMBER 198	0	0	0	0	0	11	0	0	1	0	0	44	56
PERCENT OF TOTAL COMPLAINTS	.0	.0	.0	.0	.0	19.6	.0	.0	1.7	.0	.0	78.5	100.0
TRAVEL AGENTS													
OTHER TRAVEL AGENTS	7	1	31	9	40	0	2	0	0	0	3	3	96
WORLD TRAVEL AGENCY	0	0	2	1	9	0	0	0	1	0	2	4	19
OTHER TRAVEL AGENTS	3	1	6	0	5	0	0	0	0	0	2	1	18
JANUARY 1986 THROUGH DECEMBER 198	10	2	39	10	54	0	2	0	1	0	7	8	133
PERCENT OF TOTAL COMPLAINTS	7.5	1.5	29.3	7.5	40.6	.0	1.5	.0	.7	.0	5.2	6.0	100.0
TOUR OPERATORS													
CANFORFF/DAVID	2	0	1	0	6	0	0	0	0	0	1	0	10
OTHER TOUR OPERATORS	0	0	2	1	12	0	0	0	1	0	7	4	27
MINOR TOUR OPERATORS	7	3	4	1	18	2	2	0	1	1	11	1	51
JANUARY 1986 THROUGH DECEMBER 198	9	3	7	2	36	2	2	0	2	1	19	5	88
PERCENT OF TOTAL COMPLAINTS	10.2	3.4	7.9	2.2	40.9	2.2	2.2	.0	2.2	1.1	21.5	5.6	100.0
MISCELLANEOUS COMPANIES													
ARROW AIR	13	1	0	1	52	6	0	0	0	0	2	3	78
CAPITOL AIR	0	0	0	0	9	2	0	0	0	0	0	0	11
FRONTIER AIRLINES	36	8	9	4	103	28	10	5	1	0	0	1	205
GENERAL COMPLAINTS	2	0	1	0	1	4	0	1	1	0	0	16	26
HAWAIIAN PACIFIC AIRLINES	0	0	0	0	9	0	0	0	0	0	0	5	14
OTHER AIRLINE COMPANY	4	1	1	1	32	19	0	1	0	0	4	7	70
TRANS AIR	3	1	3	1	6	6	1	0	0	0	0	0	21

OTHER COMPANIES	RESERVATIONS: FLIGHT PROBLEMS	OVER-SALES	TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVERTISING	CREDIT	TOURS	OTHER	TOTAL
MISCELLANEOUS COMPANIES													
OTHER MISCELLANEOUS COMPANIES	74	14	31	23	51	60	12	18	9	1	40	155	488
JANUARY 1986 THROUGH DECEMBER 198	137	25	45	30	263	125	23	25	11	1	46	187	913
PERCENT OF TOTAL COMPLAINTS	14.4	2.7	4.9	3.2	28.8	13.6	2.5	2.7	1.2	.1	5.0	20.4	100.0

DEPARTMENT OF TRANSPORTATION CONSUMER COMPLAINT REPORT
FOR THE PERIOD JANUARY 1986 THROUGH DECEMBER 1986

INDUSTRY GROUPS	COMPLAINTS: SCHEDULED	CHARTER	TOTAL	OPINIONS	COMPLIMENTS	REQUEST FOR INFORMATION: COMPLAINT RECORDS	OTHER	TOTAL COMPLAINTS THRU REQUESTS	TOTAL CASES
U.S. AIRLINES	10254	122	10376	339	15	97	1020	11847	10377
FOREIGN AIRLINES	1032	21	1053	16	1	33	109	1212	1091
CARGO	56	0	56	0	0	0	11	67	66
TRAVEL AGENTS	133	20	153	6	1	6	54	220	200
TOUR OPERATORS	88	102	190	2	0	29	36	257	232
MISCELLANEOUS COMPANIES	913	0	913	579	0	60	1537	3089	3010
INDUSTRY TOTAL	12476	265	12741	942	17	225	2767	16692	14984

DEPARTMENT OF TRANSPORTATION CCASUMER COMPLAINT REPORT
FOR THE PERIOD JANUARY 1986 THROUGH DECEMBER 1986

COMPLAINT CATEGORY	RANKING	TCTAL COMPLAINTS
FLIGHT PROBLEMS...	1	3683
BAGGAGE.....	2	2583
RFFUNDS.....	3	1909
OVER SALES.....	4	1037
TICKETING/BOARDING	5	830
CUSTOMER SERVICE..	6	760
OTHER.....	7	693
FARES.....	8	532
SMOKING.....	9	348
TOURS.....	10	182
ADVERTISING.....	11	142
CREDIT.....	12	42

FOOTNOTES TO REPORT

A. This report is based on informal consumer complaints the Department has received by mail or telephone. Companies are listed if DOT received five or more complaints against them during the month. We have not determined the validity of each complaint. The types of problems included in each category are:

Flight Problems: Cancellations, delays, or any other deviations from schedule, whether planned or unplanned.

Oversales: All bumping problems, whether or not the airline complied with DOT oversale regulations.

Reservations, Ticketing and Boarding: Airline or agent mistakes in reservations and ticketing; problems in making reservations and obtaining tickets due to busy telephone lines or waiting in line, or delays in mailing tickets. Problems boarding the aircraft.

Fares: Incorrect or incomplete information about fares, discount fare conditions and availability, overcharges, fare increases and level of fares in general.

Refunds: Problems in obtaining refunds for unused or lost tickets.

Baggage: Lost, damaged or delayed baggage claims, charges for excess baggage, carry-on problems, and difficulties with airline claim procedure.

Customer Service: Rude or unhelpful employees, inadequate meals or cabin service, treatment of delayed passengers, and discriminatory treatment.

Smoking: Inadequate segregation of smokers from non-smokers; failure of airline to enforce no-smoking rules; objections to the rules, would prefer change such as: (1) relaxation or elimination of regulations, or (2) banning of smoking on all flights.

Advertising: Advertising that is unfair, misleading or offensive to consumers.

Credit: Denial of credit, interest or late payment charges, incorrect billing, or incorrect credit reports.

Tours: Problems with scheduled or charter tour packages.

Other: Cargo problems, security, airport facilities, claims for bodily injury, and other problems not classified above.

B. The number of passengers flown is based on adjusted enplanement data on RSPA Form 41 reports filed by certificated airlines. For the annual report, the number of passengers flown is from November 1985 through October 1986.

JANUARY 1987 THROUGH DECEMBER 1987
AIR TRAVEL MONTHLY CONSUMER COMPLAINT REPORT

SUMMARY OF COMPLAINTS

	JANUARY 1987 THROUGH DECEMBER 1987 TOTAL	JANUARY 1986 THROUGH DECEMBER 1986 TOTAL
U.S. AIRLINES	40985	10802
FOREIGN AIRLINES	1838	1060
CARGO COMPANIES	28	56
TRAVEL AGENTS	225	153
TOUR OPERATORS	193	192
MISCELLANEOUS COMPANIES	1576	489
INDUSTRY TOTAL	44845	12752

THIS REPORT IS BASED ON INFORMAL CONSUMER COMPLAINTS THE DEPARTMENT HAS RECEIVED BY MAIL OR TELEPHONE. BUT HAS NOT DETERMINED THE VALIDITY OF THE COMPLAINTS.

COMPLAINT CATEGORIES *

	JANUARY 1987 THROUGH DECEMBER 1987		JANUARY 1986 THROUGH DECEMBER 1986	
	RANKING	TOTAL COMPLAINTS	RANKING	TOTAL COMPLAINTS
FLIGHT PROBLEMS...	1	18618	1	3687
BAGGAGE.....	2	8240	2	2585
CUSTOMER SERVICE..	3	4068	6	760
REFUNDS.....	4	3762	3	1912
TICKETING/BOARDING	5	2734	5	831
OVERSALES.....	6	2374	4	1037
OTHER.....	7	2096	7	693
FARES.....	8	1663	8	532
SMOKING.....	9	1037	9	349
ADVERTISING.....	10	411	11	142
TOURS.....	11	335	10	182
CREDIT.....	12	107	12	42
INDUSTRY TOTAL		44845		12752

* A DETAILED EXPLANATION OF THE COMPLAINT CATEGORIES IS ATTACHED

COMPLAINTS AGAINST U.S. AIRLINES

BY CATEGORY

U.S. AIRLINES ALPHABETICAL	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVER-TISING	CREDIT	TOURS	OTHER	TOTAL
AIR AMERICA	56	6	11	1	5	22	4	1	0	0	1	1	108
AIR ATLANTA	5	0	5	0	35	10	0	0	0	0	0	3	58
AIR CALIFORNIA	20	3	4	4	5	9	6	3	1	0	0	0	56
AIR MIDWEST	12	4	0	0	0	3	1	0	0	0	0	0	20
AIR SOUTH	1	0	0	0	1	8	0	0	0	0	0	0	10
AIR WISCONSIN	8	0	1	0	1	1	0	0	0	0	0	1	12
ALASKA AIRLINES	27	4	6	5	4	16	4	0	1	0	0	4	71
ALOHA AIRLINES	2	0	0	0	2	7	2	0	1	0	0	0	14
AMERICA WEST AIRLINES	149	31	28	14	28	86	34	7	1	0	0	6	384
AMERICAN AIRLINES	876	88	139	68	137	439	226	72	29	7	12	86	2189
AMERICAN EAGLE	69	8	3	0	1	12	6	2	0	0	0	4	105
AMERICAN TRANS AIR	37	1	6	1	5	31	6	3	0	0	1	7	120
ATLANTIC SOUTHEAST AIRLINES	17	2	2	0	0	7	3	1	0	0	0	2	34
BAR HARBOR AIRLINES	4	0	3	0	2	2	0	0	0	0	0	0	11
BRANIFF INC.	51	17	22	5	18	39	9	6	1	0	0	1	169
BRITT AIRWAYS	9	0	0	1	1	8	0	0	0	0	0	0	19
CARIBBEAN EXPRESS	10	0	1	2	5	16	1	0	0	0	0	0	35
CHALLENGE INTERNATIONAL AIRLINE	20	1	1	0	87	25	3	0	0	0	0	0	136
COMAIR	20	1	2	0	1	6	0	0	0	0	0	0	30
CONTINENTAL AIRLINES	3833	537	763	250	1074	1913	972	115	129	26	7	280	9899
CONTINENTAL EXPRESS	15	8	2	0	3	15	3	0	1	0	0	1	48
DELTA AIR LINES	551	29	96	71	117	161	118	35	4	4	6	53	1245
DELTA CONNECTION	6	4	0	0	0	2	0	0	1	0	0	0	13
EASTERN AIR LINES	3148	253	237	114	386	840	574	91	34	11	14	168	5884
EASTERN EXPRESS	12	4	4	0	3	9	4	0	0	0	0	1	37
FLORIDA EXPRESS	98	13	15	3	8	26	14	1	2	0	0	4	184
FRONTIER AIRLINES	0	0	4	0	31	4	0	0	0	0	0	1	40
GRAND CANYON HELICOPTERS	9	0	1	0	0	1	1	1	0	0	0	0	13
GULL AIR	2	3	1	0	2	4	0	0	0	0	0	0	12
HAWAIIAN AIRLINES	168	45	24	3	11	119	43	11	1	0	2	5	432

U.S. AIRLINES ALPHABETICAL	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVER-TISING	CREDIT	TOURS	OTHER	TOTAL
HORIZON AIRLINES	13	5	3	1	0	6	2	0	0	0	0	1	33
JET AMERICA AIRLINES	17	2	7	1	7	8	1	0	1	0	1	3	48
KEY AIRLINES	10	0	1	0	0	11	5	0	0	0	3	2	32
MID PACIFIC AIRLINES	6	4	1	0	2	10	3	0	0	0	0	1	27
MIDWAY AIRLINES	126	7	6	5	12	26	21	2	0	0	0	3	212
NEW YORK AIR	31	7	2	2	27	27	2	1	0	3	0	3	105
NORTHWEST AIRLINES	3972	277	258	78	300	899	674	180	21	15	5	261	6940
NORTHWEST AIRLINK	28	3	0	0	0	2	3	0	0	0	0	0	36
OZARK AIR LINES	5	0	1	0	0	4	0	0	0	0	0	1	11
PACIFIC SOUTHWEST AIRLINES	90	27	13	7	10	42	22	11	1	0	0	13	236
PAN AMERICAN WORLD AIRWAYS	564	193	126	20	131	551	208	47	16	7	5	73	1941
PEOPLE EXPRESS AIRLINES	56	22	23	13	80	68	16	2	4	0	0	6	284
PIEDMONT AIRLINES	339	47	61	40	49	89	60	17	14	1	0	36	753
PRESIDENTIAL AIRWAYS	40	15	7	2	10	24	1	1	3	0	0	7	110
PRO AIR SERVICES	18	3	6	2	8	22	3	0	1	1	0	0	64
PROVINCETOWN BOSTON AIRLINES	7	1	0	0	1	8	0	0	0	1	0	0	18
REPUBLIC AIRLINES	9	1	1	0	10	2	1	0	0	1	0	2	27
RICH INTERNATIONAL AIRWAYS	4	0	1	0	1	4	0	0	0	0	1	1	12
ROCKY MOUNTAIN AIRWAYS	3	1	0	0	0	9	1	0	0	0	0	0	14
ROYAL WEST AIRLINES	0	0	2	0	84	8	1	0	0	0	0	0	95
ROYALE AIRLINES	6	2	0	0	0	1	1	0	1	0	0	1	12
SIMMONS AIRLINES	21	3	2	0	3	11	3	0	0	0	0	0	43
SKY WEST AVIATION	11	4	4	0	1	7	4	0	0	0	0	3	34
SKYSTAR INTERNATIONAL	14	1	1	0	9	4	2	0	0	0	1	1	33
SOUTHWEST AIRLINES	89	18	13	6	15	47	16	6	4	0	0	7	223
SUN COUNTRY AIRLINES	13	0	1	0	0	4	1	1	0	0	0	0	20
SUNWORLD INTERNATIONAL AIRWAYS	7	3	1	0	0	1	1	1	0	0	0	1	15
TOTAL AIR	20	1	1	0	2	6	3	0	0	0	2	2	37
TOWER AIR	30	1	4	0	2	9	7	1	0	0	2	3	59
TRANS WORLD AIRLINES	1233	166	192	88	152	565	358	96	44	11	13	153	3071
TRANS WORLD EXPRESS	3	2	1	0	2	6	0	0	0	0	0	0	14
TRANSTAR	19	3	5	4	17	21	6	2	2	0	0	1	80
UNITED AIRLINES	1448	146	240	79	229	877	335	125	21	11	8	125	3644
UNITED EXPRESS	24	2	4	0	1	3	5	1	0	0	0	4	44
USAIR	392	61	57	26	18	112	76	39	2	0	1	38	826

U.S. AIRLINES ALPHABETICAL	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVER-TISING	CREDIT	TOURS	OTHER	TOTAL
WESTERN AIR LINES	21	4	8	2	10	24	6	5	0	0	0	2	82
WORLD AIRWAYS	2	7	2	0	19	3	0	0	0	1	0	1	35
OTHER U.S. AIRLINES	91	21	15	5	68	74	12	1	3	1	5	12	308
JANUARY 1987 THROUGH DECEMBER 1987	18019	2122	2458	937	3313	7438	3888	888	344	101	90	1387	40985
PERCENT OF TOTAL COMPLAINTS	43.9	5.1	5.9	2.2	8.0	18.1	9.4	2.1	.8	.2	.2	3.3	100.0
JANUARY 1986 THROUGH DECEMBER 1986	3390	849	687	468	1627	2149	702	311	122	40	33	424	10802
PERCENT OF TOTAL COMPLAINTS	31.3	7.8	6.3	4.3	15.0	19.8	6.4	2.8	1.1	.3	.3	3.9	100.0

AIRLINES ARE LISTED IF DOT RECEIVED 10 OR MORE COMPLAINTS AGAINST THEM DURING THE REPORTING PERIOD.

COMPANIES OTHER THAN U.S. AIRLINES

BY CATEGORY

FOREIGN AIRLINES	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVER-TISING	CREDIT	TOURS	OTHER	TOTAL
AER LINGUS	2	1	0	0	4	4	1	1	2	0	0	1	16
AEROMEXICO	38	19	11	0	11	27	12	1	2	0	1	2	124
AEROPERU	1	2	2	0	2	6	0	0	1	0	0	2	16
AIR CANADA	5	1	1	0	5	8	3	8	1	0	0	0	32
AIR FRANCE	1	2	3	1	6	15	2	4	1	0	1	2	38
AIR INDIA	9	8	9	1	7	4	2	0	1	0	0	1	42
AIR JAMAICA	27	12	5	0	8	23	8	1	0	0	0	1	85
ALIA JORDANIAN AIRLINES	1	1	1	0	1	6	0	0	0	0	0	0	10
ALITALIA AIRLINES	6	8	8	0	6	12	4	4	1	0	1	0	50
ALM	2	3	1	0	2	8	0	0	0	0	0	5	21
AVIANCA	0	4	2	0	3	2	1	0	0	0	0	2	14
BAHAMASAIR HOLDINGS	5	4	2	1	4	22	3	0	0	0	0	0	41
BRITISH AIRWAYS	9	2	12	6	5	17	10	4	1	0	0	4	70
BRITISH CALEDONIAN AIRWAYS	1	7	2	2	2	6	1	0	0	0	1	0	22
BWIA	20	11	2	0	3	21	5	1	1	0	0	0	64
CAYMAN AIRWAYS	6	3	0	0	1	2	1	0	0	0	0	2	15
DOMINICANA DE AVIACION	15	4	1	0	3	47	1	0	0	0	0	1	72
ECUATORIANA	7	1	0	0	4	8	0	0	0	0	0	0	20
EGYPTAIR	2	5	1	0	1	3	2	0	0	0	1	0	15
EL AL ISRAEL	7	6	4	0	1	5	2	2	0	0	0	0	27
GULF AIR	10	0	0	0	0	10	0	0	0	0	1	0	21
HIGHLAND EXPRESS AIRWAYS	7	0	0	0	5	1	0	0	0	0	0	0	13
IBERIA AIRLINES	18	9	9	3	7	35	4	4	1	0	1	0	91
ICELANDAIR	7	1	3	4	4	14	4	2	2	0	2	0	43
JAPAN AIR LINES COMPANY	0	0	5	0	1	3	0	0	0	1	0	1	11
KLM	8	6	8	2	7	14	4	3	0	0	1	0	53
KOREAN AIR LINES	2	2	4	0	1	7	0	0	0	0	0	0	16
KUWAIT AIRWAYS	0	2	2	0	1	9	1	0	0	0	0	1	16
LACSA	0	5	0	0	0	8	1	0	0	0	0	0	14
LUFTHANSA	7	2	9	3	4	15	1	1	0	0	1	0	43

	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVER-TISING	CREDIT	TOURS	OTHER	TOTAL
FOREIGN AIRLINES													
MEXICANA	57	40	12	1	13	123	22	1	0	0	1	6	276
PAKISTAN INTERNATIONAL AIRLINES	2	4	3	0	5	10	2	0	0	0	1	0	27
PHILIPPINE AIRLINES	8	1	3	0	4	10	2	1	0	0	1	0	30
QANTAS AIRWAYS	3	1	1	2	3	4	4	4	0	0	0	0	22
SABENA	9	4	3	0	6	5	1	1	0	0	1	0	30
SAS	4	4	3	2	1	4	1	3	0	0	0	0	22
SWISSAIR	1	2	1	1	1	2	1	0	0	0	1	1	11
TACA INTERNATIONAL AIRLINES	2	0	0	0	6	8	0	0	1	0	0	1	18
VARIG AIRLINES	0	2	1	0	1	4	1	1	0	0	0	1	11
VIASA	0	4	1	0	1	5	0	0	0	0	0	0	11
VIRGIN ATLANTIC	1	2	2	1	4	4	1	2	0	0	0	0	17
YUGOSLAV AIRLINES	8	0	1	1	2	8	2	1	0	0	0	0	23
OTHER FOREIGN AIRLINES	33	19	25	2	37	78	7	7	0	0	2	10	225
TOTAL	348	214	163	33	193	627	117	57	15	1	18	52	1838
CARGO COMPANIES													
OTHER CARGO COMPANIES	0	0	0	1	1	18	0	0	0	0	0	0	28
TOTAL	0	0	0	1	1	18	0	0	0	0	0	0	28
TRAVEL AGENTS													
CAREFREE VACATIONS	1	0	0	0	2	0	0	0	0	0	0	0	11
WORLD TRAVEL AGENCY	0	0	3	0	9	1	0	0	1	0	1	0	15

	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVER-TISING	CREDIT	TOURS	OTHER	TOTAL
TRAVEL AGENTS													
OTHER TRAVEL AGENTS	6	2	42	19	57	2	0	0	2	0	57	12	199
TOTAL	7	2	45	19	68	3	0	0	3	0	66	12	225
TOUR OPERATORS													
TFI TOURS INT'L, LIMITED	4	0	1	0	3	0	2	0	0	0	7	0	17
OTHER TOUR OPERATORS	27	4	9	4	39	6	4	0	5	0	71	7	176
TOTAL	31	4	10	4	42	6	6	0	5	0	78	7	193
MISCELLANEOUS COMPANIES													
OTHER GENERAL COMPLAINTS	6	0	1	2	0	4	2	2	1	1	0	14	33
OTHER MISCELLANEOUS COMPANIES	207	32	57	67	145	144	55	90	43	4	83	616	1543
TOTAL	213	32	58	69	145	148	57	92	44	5	83	630	1576

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MAJOR/NATIONAL U.S. AIRLINES *

RANKINGS

U.S. AIRLINES (MAJORS/NATIONALS)	JANUARY 1987 THROUGH DECEMBER 1987 RANK	TOTAL COMPLAINTS	COMPLAINTS PER 100,000 PASSENGERS **	MARCH 1986 THROUGH DECEMBER 1986 TOTAL COMPLAINTS	COMPLAINTS PER 100,000 PASSENGERS **
CONTINENTAL AIRLINES	1	9899	26.04	728	3.79
NORTHWEST AIRLINES	2	6940	18.34	457	2.68
PAN AMERICAN WORLD AIRWAYS	3	1941	13.14	583	4.56
EASTERN AIR LINES	4	5870	12.99	1034	2.45
TRANS WORLD AIRLINES	5	3071	12.46	804	4.17
HAWAIIAN AIRLINES	6	432	8.59	128	3.10
UNITED AIRLINES	7	3644	6.56	1297	2.67
MIDWAY AIRLINES	8	212	6.14	36	1.33
BRANIFF INC.	9	169	4.93	36	1.48
AMERICAN TRANS AIR	10	100	4.65	7	.76
AMERICAN AIRLINES	11	2189	4.04	642	1.42
AMERICA WEST AIRLINES	12	384	3.58	67	1.00
USAIR	13	876	3.57	302	1.41
PIEDMONT AIRLINES	14	753	3.00	237	1.08
DELTA AIR LINES	15	1245	2.42	234	.57
PACIFIC SOUTHWEST AIRLINES	16	236	2.11	111	1.04
ALASKA AIRLINES	17	71	1.87	26	.72
SOUTHWEST AIRLINES	18	223	1.60	60	.47
ALOHA AIRLINES	19	14	.46	7	.25

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COMPLAINT CATEGORIES

Flight Problems: Cancellations, delays, or any other deviations from schedule, whether planned or unplanned.

Oversales: All bumping problems, whether or not the airline complied with DOT oversale regulations.

Reservations, Ticketing and Boarding: Airline or travel agent mistakes in reservations and ticketing; problems in making reservations and obtaining tickets due to busy telephone lines or waiting in line, or delays in mailing tickets. Problems boarding the aircraft (except oversales).

Fares: Incorrect or incomplete information about fares, discount fare conditions and availability, overcharges, fare increases and level of fares in general.

Refunds: Problems in obtaining refunds for unused or lost tickets or fare adjustments.

Baggage: Claims for lost, damaged or delayed baggage, charges for excess baggage, carry-on problems, and difficulties with airline claim procedure.

Customer Service: Rude or unhelpful employees, inadequate meals or cabin service, treatment of delayed passengers.

Smoking: Inadequate segregation of smoker from non-smokers; failure of airline to enforce no-smoking rules; objections to the rule, would prefer change such as: (1) relaxation or elimination of regulations, or (2) banning of smoking on all flights.

Advertising: Advertising that is unfair, misleading or offensive to consumers.

Credit: Denial of credit, interest or late payment charges, incorrect billing, or incorrect credit reports on airline-issued credit.

Tours: Problems with scheduled or charter tour packages.

Other: Cargo problems, security, airport facilities, claims for bodily injury, and other problems not classified above.

JANUARY 1988 THROUGH MARCH 1988
AIR TRAVEL MONTHLY CONSUMER COMPLAINT REPORT

SUMMARY OF COMPLAINTS

	JANUARY 1988 THROUGH MARCH 1988 TOTAL	JANUARY 1987 THROUGH MARCH 1987 TOTAL
U.S. AIRLINES	7965	4362
FOREIGN AIRLINES	362	275
CARGO COMPANIES	5	7
TRAVEL AGENTS	21	42
TOUR OPERATORS	36	54
MISCELLANEOUS COMPANIES	182	158
INDUSTRY TOTAL	8531	4893

THIS REPORT IS BASED ON INFORMAL CONSUMER COMPLAINTS THE DEPARTMENT HAS RECEIVED BY MAIL OR TELEPHONE. DOT HAS NOT DETERMINED THE VALIDITY OF THE COMPLAINTS.

COMPLAINT CATEGORIES *	JANUARY 1988 THROUGH MARCH 1988		JANUARY 1987 THROUGH MARCH 1987	
	RANKING	TOTAL COMPLAINTS	RANKING	TOTAL COMPLAINTS
FLIGHT PROBLEMS...	1	3624	1	1622
BAGGAGE...	2	1656	2	1111
CUSTOMER SERVICE..	3	759	6	287
REFUNDS...	4	677	3	472
TICKETING/BOARDING	5	526	4	392
OVERSALES...	6	504	5	346
OTHER...	7	338	7	223
SMOKING...	8	192	9	134
FARES...	9	136	8	165
ADVERTISING...	10	67	10	94
TOURS...	11	50	11	65
CREDIT...	12	22	12	16
INDUSTRY TOTAL		8551		4838

* A DETAILED EXPLANATION OF THE COMPLAINT CATEGORIES IS ATTACHED

COMPLAINTS AGAINST U.S. AIRLINES

BY CATEGORY

U.S. AIRLINES A L P H A B E T I C A L	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVER-TISING	CREDIT	TOURS	OTHER	TOTAL
AIR AMERICA	5	1	0	0	0	7	1	0	0	0	0	0	14
ALASKA AIRLINES	13	2	1	0	1	2	3	0	0	0	0	0	22
AMERICA WEST AIRLINES	18	5	11	1	9	38	11	1	1	0	0	0	94
AMERICAN AIRLINES	199	19	36	11	25	102	44	17	3	1	2	19	478
AMERICAN EAGLE	15	2	2	0	2	5	1	0	0	0	0	0	27
AMERICAN TRANS AIR	14	0	1	0	0	3	1	1	0	0	2	0	22
ATLANTIC SOUTHEAST AIRLINES	5	0	0	1	1	3	1	1	0	0	0	1	14
BRANIFF INC.	23	3	4	0	2	8	8	1	1	0	0	2	52
CHALLENGE INTERNATIONAL AIRLINE	0	0	0	0	22	0	0	0	0	0	0	0	22
CONTINENTAL AIRLINES	870	117	128	30	171	315	199	32	21	0	1	67	1956
CONTINENTAL EXPRESS	6	2	1	0	1	8	2	0	0	0	0	0	20
DELTA AIR LINES	109	10	31	15	26	52	25	14	1	0	0	19	300
EASTERN AIR LINES	759	74	72	18	101	269	142	21	9	6	1	52	1522
EASTERN EXPRESS	7	3	0	0	0	2	3	0	0	0	0	2	17
FLORIDA EXPRESS	14	2	2	0	1	7	1	0	0	0	0	0	27
HAWAIIAN AIRLINES	63	10	4	1	2	43	10	2	0	0	2	3	123
MIDWAY AIRLINES	25	1	1	1	2	6	3	1	0	0	0	2	42
NORTHWEST AIRLINES	600	43	47	8	51	130	89	27	2	1	0	45	1033
NORTHWEST AIRLINK	45	0	0	0	0	1	1	0	0	0	0	0	47
PACIFIC SOUTHWEST AIRLINES	13	5	4	1	5	9	3	5	0	0	0	0	45
PAN AMERICAN WORLD AIRWAYS	95	52	23	7	29	108	33	10	2	6	1	22	388
PIEDMONT AIRLINES	79	9	9	3	11	31	13	4	3	0	0	1	162
PRESIDENTIAL AIRWAYS	5	4	2	0	0	5	0	0	0	0	0	0	16
SOUTHWEST AIRLINES	15	3	2	2	6	16	5	1	0	0	0	2	53
SUNWORLD INTERNATIONAL AIRWAYS	5	1	1	0	11	2	0	0	0	0	0	1	21
TRANS WORLD AIRLINES	191	22	32	10	36	130	48	13	13	5	1	24	525
UNITED AIRLINES	212	25	32	9	27	115	49	20	1	2	0	28	522
UNITED EXPRESS	5	1	2	0	0	4	1	0	1	0	0	0	15
USAIR	59	21	16	4	11	36	18	4	2	0	0	1	171

U.S. AIRLINES A L P H A B E T I C A L	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVER-TISING	CREDIT	TOURS	OTHER	TOTAL
OTHER U.S. AIRLINES	59	14	7	3	39	47	9	2	1	0	1	5	187
JANUARY 1988 THROUGH MARCH 1988	3512	451	471	125	592	1503	724	177	61	22	11	291	7940
PERCENT OF TOTAL COMPLAINTS	44.2	5.6	5.9	1.5	7.4	18.9	9.1	2.2	.7	.2	.1	3.6	100.3
JANUARY 1987 THROUGH MARCH 1987	1549	304	348	143	402	969	279	115	78	12	9	154	4352
PERCENT OF TOTAL COMPLAINTS	35.6	6.9	7.9	3.2	9.2	22.2	6.3	2.6	1.7	.2	.2	3.5	100.3

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COMPANIES OTHER THAN U.S. AIRLINES

BY CATEGORY

	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVERTISING	CREDIT	TOURS	OTHER	TOTAL
FOREIGN AIRLINES													
AEROMEXICO	5	1	0	0	0	4	1	0	0	0	0	2	13
AIR JAMAICA	19	4	0	0	0	1	5	0	0	0	1	3	33
BRITISH CALEDONIAN AIRWAYS	2	0	1	0	2	4	1	1	0	0	0	1	12
PMIA	2	8	0	0	0	3	0	0	0	0	0	0	13
GULF AIR	6	0	0	0	0	3	0	0	0	0	1	0	10
IBERIA AIRLINES	3	3	0	0	4	9	0	0	1	0	0	1	21
KOREAN AIR LINES	2	2	2	0	2	3	1	0	0	0	0	0	12
MEXICANA	14	13	3	0	6	20	5	1	0	0	0	2	64
YUGOSLAV AIRLINES	2	0	0	0	1	8	1	0	0	0	0	0	12
OTHER FOREIGN AIRLINES	23	14	22	3	22	60	11	5	1	0	1	8	170
TOTAL	78	45	33	3	37	115	25	7	2	0	3	14	352
CARGO COMPANIES													
OTHER CARGO COMPANIES	0	0	0	0	0	1	0	0	0	0	0	4	5
TOTAL	0	0	0	0	0	1	0	0	0	0	0	4	5
TRAVEL AGENTS													
OTHER TRAVEL AGENTS	1	0	7	1	10	1	0	0	1	0	0	0	21
TOTAL	1	0	7	1	10	1	0	0	1	0	0	0	21

	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVER-TISING	CREDIT	TOURS	OTHER	TOTAL
TOUR OPERATORS													
FUNTASTIC TOURS	0	0	0	0	0	0	0	0	0	0	10	0	10
OTHER TOUR OPERATORS	1	1	1	0	8	2	2	0	1	0	11	0	26
TOTAL	1	1	1	0	8	2	2	0	1	0	21	0	36
MISCELLANEOUS COMPANIES													
OTHER MISCELLANEOUS COMPANIES	27	7	14	4	31	34	8	8	2	0	15	29	182
TOTAL	27	7	14	4	31	34	8	8	2	0	15	29	182

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MAJOR/NATIONAL U.S. AIRLINES *

RANKINGS

U.S. AIRLINES (MAJORS/NATIONALS)	JANUARY 1988 THROUGH MARCH 1988 RANK	TOTAL COMPLAINTS	COMPLAINTS PER 100,000 PASSENGERS **	JANUARY 1987 THROUGH MARCH 1987 TOTAL COMPLAINTS	COMPLAINTS PER 100,000 PASSENGERS **
CONTINENTAL AIRLINES	1	1954	21.31	1248	18.39
EASTERN AIR LINES	2	1522	15.75	473	4.43
NORTHWEST AIRLINES	3	1038	13.60	531	6.32
PAN AMERICAN WORLD AIRWAYS	4	388	10.83	179	5.86
TRANS WORLD AIRLINES	5	525	9.61	298	5.59
HAWAIIAN AIRLINES	6	120	9.53	32	2.78
BRANIFF INC.	7	52	5.63	29	4.01
MIDWAY AIRLINES	8	42	4.46	12	1.72
UNITED AIRLINES	9	520	4.35	398	3.29
AMERICAN AIRLINES	10	479	3.51	184	1.65
AMERICA WEST AIRLINES	11	95	3.36	24	1.11
USAIR	12	171	2.83	52	.93
PIEDMONT AIRLINES	13	162	2.58	54	.93
DELTA AIR LINES	14	303	2.23	85	.87
ALASKA AIRLINES	15	22	2.08	5	.62
PACIFIC SOUTHWEST AIRLINES	16	45	1.82	22	1.09
SOUTHWEST AIRLINES	17	53	1.54	14	.47
AIR WISCONSIN	18	5	.89	3	.66
ALOHA AIRLINES	19	4	.53	1	.16

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COMPLAINT CATEGORIES

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Baggage: Claims for lost, damaged or delayed baggage, charges for excess baggage, carry-on problems, and difficulties with airline claim procedure.

Customer Service: Rude or unhelpful employees, inadequate meals or cabin service, treatment of delayed passengers.

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Advertising: Advertising that is unfair, misleading or offensive to consumers.

Credit: Denial of credit, interest or late payment charges, incorrect billing, or incorrect credit reports on airline-issued credit.

Tours: Problems with scheduled or charter tour packages.

Other: Cargo problems, security, airport facilities, claims for bodily injury, and other problems not classified above.

SENATOR LAUTENBERG: What recommendations have you made for improving the procurement process in order to reduce delays and remove unnecessary constraints on FAA's acquisition of equipment and systems required to modernize its operations?

ANSWER: OST has taken several steps to improve the procurement process both to assist FAA and on a Department-wide basis including:

- Delegation of significant procurement authority to FAA. For programs under $150 million, FAA has procurement authority including source selection, without OST review or approval.

- Revision of many of DOT's acquisition related "directives." Specifically, source selection procedures are being streamlined and documentation requirements reduced. These changes, of course, are within the parameters of the government-wide procurement regulations and statutes.

- Implementing changes in the procurement area based on the recommendations by the Secretary's Task Force on Internal Reforms of the FAA, including:

    - Establishing dedicated teams for major acquisitions.

    - Providing additional training to both contracting and program personnel involved in the acquisition process.

    - Reviewing OMB Circular A-109 to identify possible changes for streamlining the process.

    - Examining staffing at FAA to determine if additional staff is needed.

SENATOR LAUTENBERG: Last year you requested $382,000 for ADP service, including a department-wide Contract Information System. This year you are requesting $180,000 for Development of a "Departmental Procurement Management System." Are these different systems or have you just changed the name?

If they are different, why do you need both? If they are the same, provide a table showing the total cost of this project in annual increments from the time it was begun to the expected completion date.

ANSWER: The Contract Information System (CIS) is a departmental system for collecting information on contract awards for reporting to the Federal Procurement Data System. As noted above, it is an old, paper intensive system which is plagued with inaccuracies and incomplete data. The Departmental Procurement Management System will be both a replacement for the CIS and an expansion of the capabilities to include contract writing, procurement tracking, and interface with the Department's financial management system.

In FY 1988, we are spending less than $50,000 to reprogram CIS to meet revised reporting requirements for the Federal Procurement Data System.

We estimate that the cost to initially develop a Departmental Procurement Management System in FY 1989 will be $180,000:

Initial Plan	$0	Oct. 15, 1988
Feasibility Study	$40K	Jan. 1, 1989
Requirements Analysis	$70K	May 1, 1989
Hardware and Software Analysis	$70K	Sept. 1, 1989

Beyond this initial development stage, we estimate that at least $2.5 million will be required for systems design, programming and implementation. The target for a fully implemented Department-wide system is September 1994.

SENATOR LAUTENBERG: You are also requesting another $136,000 for development and implementation of a Department-wide Real Property Management System. Last year funding was requested to develop a DOT Property Utilization and Redistribution System? Is this the same system under a different nomenclature?

ANSWER: No, the systems are different. The DOT Property Utilization and Redistribution System deals with personal property, i.e. equipment, furniture, vehicles, etc. The Real Property Management System deals with land, buildings, structures, etc.

SENATOR LAUTENBERG: If so, provide a table displaying the cost and schedule for this project.

ANSWER: It is anticipated that $136,000 will be required to develop the Real Property Management System and that $40,000 would be required annually for systems operation and maintenance. Complete implementation is anticipated for June 1989, under the following schedule:

Complete Requirement Study	9/88
Implement System	4/89
Complete User Training	6/89

The system will assist us in making more economical real property acquisition and disposal decisions. New government policy prescribed by Executive Order 122512, Federal Real Property Management, has placed greater emphasis on Real Property Asset Management which includes, among other things, the identification and disposal of unneeded and uneconomical property. The real property system will provide us with the detailed information on our real property inventory which is necessary to manage the property as a Government resource. For instance, the system will track buildings, land and structures from pre-acquisition through post-disposal and will identify how property is being utilized and the cost of maintaining such properties. So far we have not been able to do this work systematically. We have had to depend on both visits to properties and on tedious review of incomplete and inaccurate hard copy information to identify targets of opportunity. With a good, automated data base we will be able to quickly identify targets of opportunity. The

Department has a very large real property inventory (i.e., about 16,000 property locations, 286,000 acres and 47 million building square feet) which makes automation of the data essential.

SENATOR LAUTENBERG: Provide a table displaying the costs and schedule for your airline tariff filing project.

ANSWER: The information follows:

FY 1986 and FY 1987	
TSC/TCC contracts User requirement document, hardware/software procurement, feasibility/cost analysis report, cost benefit analysis. ADP requirement document, initiate passenger Special Tariff Permission Applications (STPA) system design, software development procurement for demonstration of passenger fares STPA system prototype	$ 560,000
FY 1988	
Continue design and testing of passenger fares STPA submission systems and various associated management subsystems, conduct experiments on existing databases, and complete installation of a local area network	200,000
FY 1989	
Initiate development of passenger fares, arbitrary and routing filing systems, development of various passenger fare auxiliary files, implement passenger fares STPA submission	400,000
FY 1990	
Continue design and testing of passenger, arbitrary and routing filing systems, and implement passenger, arbitrary and routing fare filing systems	540,000
FY 1991	
Initiate development of cargo STPA/rates filing systems and associated auxiliary files, test and implement cargo STPA system	400,000
FY 1992	
Test and implement cargo rate filing systems and associated auxiliary files, add any remaining passenger/cargo supporting files, initiate development of passenger rule systems	400,000
TOTAL	$2,500,000

ADMINISTRATION

SENATOR LAUTENBERG: Last year you indicated that the Office of the Assistant Secretary for Administration is deeply involved in NAS Plan procurements. Recently, Secretary Burnley and other proponents of moving FAA out of the Department in whole or in part have cited "the cumbersome federal procurement 'process' as a major reason FAA should be restructured and/or 'privatized'. Some critics specifically accuse DOT of trying to "micromanage" FAA and of creating further delays in NAS Plan implementation with unnecessary red tape.

Is the process involving the Transportation Systems Acquisition Review Council (TSARC) and the Source Evaluation Boards (SEB) a major part of the "procurement problem"?

ANSWER: DOT uses the TSARC process to fulfill the planning and decision making requirements described in OMB's Circular A-109. SEB's review solicitations for major competitive procurements, conduct evaluations of proposals, and present findings to source selection officials. Neither the TSARC nor the SEB process, per se, add at all significantly to the time needed to acquire major systems. Both, however, are components of the very lengthy and complex Federal acquisition system. Using this system, it may take 10-15 years to complete a major systems acquisition. It is the system taken as a whole, not any single aspect of it, which generates these timeframes.

SENATOR LAUTENBERG: Is centralization of final authority with respect to major systems acquisitions responsible for the delays and rigidities of which the Secretary and others complain?

ANSWER: Just as TSARC review cannot be singled out as the cause of delay in major acquisitions, centralization of decision making authority in and of itself provides no barrier to expeditious decision making. In fact, centralization can sometimes aid quick decision making. For instance, because of OST involvement in the process, OST and FAA work closely together to resolve issues on major systems acquisitions.

OST is often involved with FAA early in the acquisition process to avoid sequential reviews which might cause delays. Further, FAA can generally proceed with acquisition activities, such as preparation of solicitations, while OST is performing reviews. Overall, the activities centralized in OST have been limited. Since these activities are dictated by requirements of the procurement process and would have to be carried out regardless of where the final authority resided, the limited centralization of some decisions in OST has minimal effect on NAS Plan schedules.

SENATOR LAUTENBERG: Provide a list of all SES bonuses and PMRS awards awarded for FY 1987 for each office within OST.

ANSWER: Following is the requested information.

SES PERFORMANCE AWARDS

OFFICE OF THE ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS

One SES Bonus for $4,125
One SES Bonus for $13,600
One SES Bonus for $8,425

OFFICE OF THE GENERAL COUNSEL

One SES Bonus for $14,680
One SES Bonus for $13,600
One SES Bonus for $4,125

OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION

One SES Bonus for $13,975
One SES Bonus for $14,680
One SES Bonus for $5,900
Two SES Bonuses for $3,950

OFFICE OF THE ASSISTANT SECRETARY FOR POLICY AND INTERNATIONAL AFFAIRS

One SES Bonus for $4,250
Three SES Bonuses for $4,125

OFFICE OF CIVIL RIGHTS

One SES Bonus for $9,825

SECRETARIAL OFFICES

SENATOR LAUTENBERG: Provide a table displaying current on-board strength for all offices, including detailees.

ANSWER: The current on-board strength, as of May 1, 1988, including detailees for all Secretarial offices is shown in the following table.

	On-board Strength
Office of the Secretary	
Full-time Permanent	12
Other than Full-time Permanent	2
Total	14
Office of the Deputy Secretary	
Full-time Permanent	7
Other than Full-time Permanent	2
Total	9
Regional Representatives	
Full-time Permanent	12
Other than Full-time Permanent	0
Total	12

Executive Secretariat	
Full-time Permanent	21
Other than Full-time Permanent	2
Total	23
Contract Appeals Board	
Full-time Permanent	5
Other than Full-time Permanent	1
Total	6
Civil Rights	
Full-time Permanent	21
Other than Full-time Permanent	3
Total	24
Small and Disadvantaged Business Utilization	
Full-time Permanent	12
Other than Full-time Permanent	1
Total	13
Commercial Space Transportation	
Full-time Permanent	6
Other than Full-time Permanent	1
Detailee	1
Total	8
Total, Secretarial Offices	
Full-time Permanent	96
Other than Full-time Permanent	12
Total	109 1/

1/ Excludes 6 FTP and 2 Other than Full-time funded under TPR&D appropriation.

PMRS PERFORMANCE AWARDS

IMMEDIATE OFFICES OF THE SECRETARY

One award for $1,149
One award for $1,007
One award for $946
One award for $916
One award for $879

OFFICE OF THE ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS

Three awards for $1,833
Three awards for $1,558
Five awards for $611
Four awards for $519
Three awards for $440

OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION

One award for $1,204
One award for $1,056

One award for $311
One award for $264

OFFICE OF CIVIL RIGHTS

One award for $1,400
One award for $1,343
One award for $1,251
One award for $1,095
Two awards for $977
One award for $907
One award for $900
One award for $311
Two awards for $264
Two awards for $224

OFFICE OF COMMERCIAL SPACE TRANSPORTATION

One award for $1,240
One award for $1,149
One award for $1,100
One award for $1,077
One award for $311
One award for $264

OFFICE OF THE ASSISTANT SECRETARY FOR PUBLIC AFFAIRS

Two awards for $1,470
Two awards for $1,058
Five awards for $417
One award for $353

OFFICE OF THE ASSISTANT SECRETARY FOR POLICY AND INTERNATIONAL AFFAIRS

One award for $6,970
One award for $6,304
Seven awards for $1,400
One award for $1,396
One award for $1,391
One award for $1,375
One award for $1,366
One award for $1,334
One award for $1,309
Two awards for $1,280
One award for $1,274
One award for $1,273
Seven awards for $1,263
Three awards for $1,190
One award for $1,169
One award for $1,129
One award for $1,111
Two awards for $1,090
One award for $1,086
Ten awards for $1,074
Five awards for $909
Twenty-three awards for $421

Twenty awards for $358
Sixteen awards for $303

OFFICE OF THE ASSISTANT SECRETARY FOR GOVERNMENTAL AFFAIRS

One award for $1,353
One award for $1,267
One award for $1,200
One award for $1,190
One award for $1,185
One award for $1,032
One award for $1,024
One award for $1,020
One award for $951
Three awards for $864
Four awards for $400
One award for $340
Three awards for $288

OFFICE OF THE GENERAL COUNSEL

Two awards for $1,400
One award for $1,389
One award for $1,374
One award for $1,331
One award for $1,330
Two awards for $1,316
One award for $1,298
One award for $1,281
One award for $1,279
One award for $1,263
One award for $1,256
One award for $1,221
One award for $1,217
One award for $1,185
One award for $1,161
Five awards for $1,113
One award for $1,111
One award for $1,091
One award for $1,051
One award for $1,033
Three awards for $977
One award for $955
One award for $852
Two awards for $775
Six awards for $331
Ten awards for $281
Five awards for $238

OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION

One award for $5,700
Two awards for $4,310
One award for $2,955
Two awards for $2,640
Two awards for $2,523

One award for $2,512
One award for $2,331
Two awards for $2,244
One award for $2,223
Two awards for $2,145
One award for $2,002
Three awards for $1,981
One award for $1,901
One award for $1,890
Two awards for $1,690
Two awards for $1,678
Two awards for $1,437
One award for $1,217
One award for $985
Three awards for $880
Three awards for $841
Two awards for $837
Five awards for $785
Four awards for $777
Seven awards for $748
Five awards for $715
One award for $709
Nine awards for $630
Six awards for $660
Seven awards for $634
Four awards for $630
Three awards for $606
Four awards for $565
One award for $559
One award for $534

SENATOR LAUTENBERG: Provide the name, grade, and compensation of each recipient and a brief explanation of the reason for his or her selection for the award.

ANSWER: Attached is a listing of the names, grades, and compensation of each recipient of an SES bonus.

Carolina Mederos, ES-5 - $75,500, $4,125 Award
Outstanding performance and leadership in addressing the safety issues confronting the Department.

William H. Fitzgerald, Jr., ES-5 - $75,500, $13,600 Award
Outstanding leadership and performance in the Department's lead role in the budget cycle process.

George W. McDonald, ES-2 - $68,952, $8,425 Award
Outstanding performance in the analysis and evaluation of DOT programs from a budget standpoint.

Samuel Podberesky, ES-4 - $73,400, $14,680 Award
Outstanding performance as Assistant General Counsel for Aviation Enforcement and Proceedings in furthering the aviation goals of the Department in the areas of flight delays and airline consumer protection.

Rosalind Knapp, ES-5 - $75,500, $13,600 Award
Outstanding performance as Deputy General Counsel on matters ranging from the Department's internal drug program to development of DOT airline performance regulations.

Warren L. Dean, Jr., ES-4 - $73,400, $4,125 Award
Outstanding performance of responsibilities as Assistant General Counsel for International Law

Jon H. Seymour, ES-6 - $77,500, $13,975 Award
Outstanding leadership in directing the Department's administrative programs.

Melissa J. Allen, ES-5 - $75,500, $14,680 Award
Outstanding leadership in the development of a DOT civilian employee drug program which has become the model for civilian employee drug programs throughout the Executive Branch.

Diana L. Zeidel, ES-4 - $73,400, $3,950 Award
Outstanding leadership to personnel/human resource management programs of the Department.

Marilyn S. Marton, ES-3 - $71,910, $5,900 Award
Outstanding performance in the development and implementation of the Department's drug education and awareness, rehabilitation, and testing programs.

Joyce D. Shelton, ES-4 - $73,400, $3,950 Award
Effective leadership displayed in furthering the financial management programs of the Department.

Paul Gretch, ES-4 - $73,400, $4,125 Award
Outstanding leadership in directing the Department's international aviation regulatory and negotiations functions.

John Coleman, ES-5 - $75,500, $4,250 Award
Outstanding performance in directing the economic analyses of domestic aviation policy issues.

Patrick Murphy, ES-5 - $75,500, $4,125 Award
Outstanding performance as Director of the Special Program Staff in the Department's Policy organization.

Joseph Canny, ES-4 - $73,400, $4,125 Award
Outstanding performance in managing the Office of Transportation Regulatory Affairs and assuring continued progress in eliminating unnecessary economic regulation of the transportation industry.

William Hudson, ES-5 - $75,500, $9,825 Award
Outstanding performance in directing the Department's Civil Rights Program.

PMRS PERFORMANCE AWARDS

NAME	GRADE	AWARD
SMITH, JEANNE E.	14	$ 1,007
HUTCHINSON, LINDA G.	15	$ 1,149
HAMMOND, NANCY K.	14	$ 946
STEEVES, DORIENE M.	14	$ 916
RAGSDALE, CONSTANCE	13	$ 878
MILLER, RICHARD L.	15	$ 1,833
LAWHEAD, MERRY EVANS	15	$ 611
LITTY, STEVEN C.	14	$ 519
MOGA, WILLIAM	14	$ 519
TROST, WILLIAM F.	14	$ 519
BENNETT, JACK M.	14	$ 1,558
HUTCHINSON, MARY C.	14	$ 1,558
PETTY, SUSAN B.	14	$ 1,558
WILLIAMS, EVA M.	13	$ 440
GOLDSTEIN, MYRON L.	14	$ 519
MAGURN, JOHN T.	15	$ 611
STEWART, VIRGINIA D.	13	$ 440
CLASEN, MARC T.	15	$ 611
HEIMANN, JOHN J.	15	$ 611
MARRS, KATHLEEN A.	15	$ 1,833
SALE, JAMES E	15	$ 611
STEIGER, PAUL R.	13	$ 440
TOWNES, DABNEY A.	15	$ 1,833
ABBOTT, KAREN A.	15	$ 1,204
HARBOUR, WENDELL K.	14	$ 1,056
WALTERS, JOHN M.	14	$ 264
MOORE, WILL T.	15	$ 311
GREER, ROOSEVELT JR.	15	$ 311
WILLIAMS, WILBUR	14	$ 977
DAVIS, OSCAR FAYE	15	$ 1,251
NORMAN, JOYCE	14	$ 977
SANO, LINDA A.	13	$ 900
SUAZO, PETER A. JR.	14	$ 1,095
COATES, ROBERT J.	15	$ 1,400
DAVIS, WILLIAM O. SR.	13	$ 907
HOLLOWAY, GEORGE L. III	14	$ 264
MARIANI, LUIGI	13	$ 224
PLATER, JOHN O. JR.	13	$ 224
AUSTIN, JOSEPH E.	14	$ 264
THOMAS, DORSEY R.	15	$ 1,343
BOWLES, NORMAN	15	$ 1,240
DAUBE, KARLYN E.	15	$ 1,149
GOLDFARB, MICHAEL P.	15	$ 1,100
HADAR, GIORA	14	$ 264
LINNERTZ, ANN M.	15	$ 1,077
RAPPAPORT, CARL	15	$ 311
BROWN, MAUREEN W.	13	$ 353
MULLIN, MICHAEL T.	14	$ 417
PRIDMORE, ROY D.	13	$ 1,058
WENDT, LUCILLE R.	13	$ 1,058
ROBISON, WYNOLA	14	$ 417
MARX, ROBERT S.	15	$ 1,470
O'HARA, EDWARD	14	$ 417
PARIS, HAROLD	14	$ 417

LIMA, REBECCA H.	14	$ 417
WHITE, ELIZABETH L.	15	$ 1,470
MEYER, ALICE M.	14	$ 1,074
MC GUIRE, CHARLES W.	15	$ 421
BURBANK, CYNTHIA J.	15	$ 1,263
GOLDNER, ROBERT S.	15	$ 1,400
PEAK, JOHN T.	14	$ 358
ROSENOW, PETER H.	15	$ 1,396
LAWRENCE, LUCIA N.	13	$ 303
NUTTER, ROBERT D.	15	$ 1,400
HEDGES, DANIEL C.	13	$ 303
KONHEIM, ARNOLD G.	15	$ 421
THURBER, ROBERT P.	15	$ 1,391
CRECCO ROBERT	14	$ 358
EBERSOLE, NANCY T.	14	$ 358
LASTER, IRA JR.	15	$ 1,400
MITTELHOLTZ, CAMILLE	14	$ 1,129
DAILEY, VICTORIA A.	14	$ 1,074
RASTATTER, EDWARD H.	15	$ 1,400
STEIN, ROBERT I.	14	$ 358
LISER, FLORIZELLE B.	14	$ 1,074
COAKLEY, JOHN D.	14	$ 358
MACRAE. NANCY K.	15	$ 1,263
MURPHY, ROBERT D.	15	$ 421
SCHUMAIER, C. PETER	15	$ 421
WIENER, ALLEN	13	$ 303
ALLEN, BERNESTINE	14	$ 1,190
ALLEN, MILDRED S.	13	$ 303
TUCKER, COURTNEY	13	$ 303
LOUGEE, DUANE A.	15	$ 421
ROBINSON, FRANK S.	15	$ 421
VANDERVOORT, CHARLES	15	$ 1,263
BUTTERWORTH, BRUCE R.	15	$ 1,263
MARVICH, M. DENNIS	13	$ 303
WILEY, EVANS E.	14	$ 1,190
WOODWARD, CLIFFORD W.	14	$ 358
IGO, DONALD J.	15	$ 421
GARCIA, FRANKLIN D.	14	$ 358
LANGELAN, MARTHA J.	14	$ 1,074
PARKER, ELIZABETH	15	$ 1,366
WEIL, RAYMOND JR.	15	$ 421
WEINER, EDWARD	15	$ 421
LEVINE, ARNOLD L.	15	$ 1,309
BARBATO, PHILIP J.	15	$ 421
DECKER, ROBERT L.	15	$ 421
SWERDLOFF, CARL N.	15	$ 421
WIGGERS, GEORGE F.	15	$ 421
BOWSER, PAUL B.	14	$ 358
COLEVAS, STEPHEN J.	14	$ 358
MARCHESSAULT, THOMAS	14	$ 358
PHILLIPS, LAURENCE T.	15	$ 1,274
SCHMIDT, JOHN P.	14	$ 1,111
BROWN, WILLIAM F.	15	$ 421
ELLINGSWORTH, ROSALIND	15	$ 1,263
GAYNES, JEFFREY B.	15	$ 1,263
KISER, JOHN H.	14	$ 1,169
TRAINOR, AGNES M.	14	$ 358
ASWALL, HERBERT P.	15	$ 421

NIEDERBERGER, EDWIN	14	$ 358
SCHRENK, JULIEN R.	15	$ 421
SHANGRAW, KEITH A. JR.	14	$ 358
BERTRAM, WILLIAM M.	13	$ 303
DYES, UWE F.	13	$ 303
GAULT, VICTORIA L.	13	$ 303
KING, DELORES A.	13	$ 303
MAY, THOMAS A.	14	$ 1,074
MC DOWELL, DESTA B.	15	$ 421
MOORE, THOMAS G.	15	$ 1,400
LOUGHLIN, RICHARD M.	15	$ 421
BINGHAM, GORDON H.	14	$ 358
BROWN, ALLEN F.	13	$ 909
WELLINGTON, GEORGE L.	14	$ 1,086
KENNEDY, J. KEVIN	14	$ 1,074
SMITH, TERESA A.	14	$ 6,304
GEDRA, FRANCES P.	14	$ 1,074
ROBINSON, STUART	15	$ 1,280
MALLALIEU, CHARLES R.	14	$ 1,074
LITTON, DONALD L.	15	$ 421
MILLER, RONALD C.	14	$ 358
STREET, MARY	13	$ 909
MODESITT, DAVID B.	14	$ 358
PETT, MARY IRENE	15	$ 421
WILBUR, EDWARD R.	14	$ 1,074
COLDREN, CAROLYN K.	15	$ 1,273
GANSLE, JAMES J.	14	$ 358
HEDGES, ROBERT E.	15	$ 421
CRAUN, JAMES M. JR.	15	$ 1,375
HARMAN, JOHN E.	15	$ 421
BENNETT, RANDALL D.	15	$ 1,400
BOYD, WILLIAM C.	15	$ 6,970
QUAY, JOHN L.	14	$ 1,090
ADAMS, KEVIN J.	13	$ 303
BADIAN, BARBARA H.	13	$ 303
BINGHAM, WILLIAM A. JR	15	$ 1,263
DEVANY, DENNIS J.	14	$ 1,074
DIETRICH, LUTHER R.	13	$ 909
FOLEY, DENNIS P.	13	$ 303
CARMODY, TIMOTHY E.	14	$ 1,090
DAVIS, STEPHEN H.	13	$ 303
KEPPEL, JOHN D.	14	$ 358
LANE, MICHAEL A.	13	$ 303
MC CAMANT, WILLIAM C.	14	$ 358
MILAN, REGIS P. JR.	15	$ 1,280
RICHARDS, DAVID B.	14	$ 358
DAVIS, JANET A.	13	$ 909
LAWYER, JAMES A.	13	$ 303
LUNDELL, LINDA L.	13	$ 909
SZEKELY, CAROL A.	14	$ 1,190
SZROM, PATRICIA T.	15	$ 1,334
HILGERT, RONALD J.	15	$ 421
HOKANSON, JOHN R.	15	$ 1,400
DEWHIRST, MARY K.	14	$ 1,020
MINNERY, PHYLLIS J.	13	$ 864
TENNEY, MARY GRAHAM	13	$ 864
FARROW, SANDRA T.	13	$ 1,200
MILLER, NANCY F.	15	$ 1,267

MORGAN, KATHLEEN O.	13	$ 864
ROSENFELD, MITCHELL A.	15	$ 400
BEACH, KATE T.	15	$ 400
DECKER, HOYTE B. JR	15	$ 1,353
DOUBRAVA, RICHARD J.	13	$ 288
WILLIAMS, ALLAIRE D.	15	$ 400
BREWER, NANCY E.	13	$ 288
KELLY, TIMOTHY J.	13	$ 951
STRICKMAN, NORMAN A.	14	$ 1,024
LINEBERRY, C. HERBERT	13	$ 288
WITT, DEAN A.	14	$ 1,190
STEINMAN, PAUL R. III	15	$ 400
HOHL, JOHN E.	14	$ 1,032
JOHNSON, LEROY E.	14	$ 340
PAULHUS, NORMAN G.	14	$ 1,185
BOECK, CHARLOTTE S.	13	$ 852
BATES, MICHAEL S.	14	$ 1,091
DANN, JAMES R.	15	$ 1,256
DIEDERICH, BERNARD F.	15	$ 331
GABEL, ROBERTA D.	15	$ 1,279
GOLD, DOUGLAS	14	$ 281
KESSLER, NANCY R.	15	$ 331
LANGAN-FEIRSON, MARY	15	$ 1,113
MEEKS, ROBERT R.	13	$ 238
METOYER, STEPHEN A.	14	$ 281
OWEN, MARC C.	15	$ 1,221
ROSS, ROBERT	15	$ 1,330
WOLFE, GREGORY D.	15	$ 1,374
TALAMON, BRADFORD K.	14	$ 281
TOCHEN, DAVID K.	14	$ 977
WILDENSTEINER, OTTO	15	$ 331
BARANKO, GEORGE S.	15	$ 1,161
BLOCH, PETER M.	14	$ 1,051
JENNISON, MICHAEL B.	15	$ 1,113
MC DERMOTT, SUSAN E.	15	$ 1,389
MYERS, LAWRENCE R.	15	$ 331
SCHWARTZKOPF, PETER B.	15	$ 331
SNYDER, PATRICIA N.	14	$ 1,033
STEPTOE, E. JASON	15	$ 1,298
THOMAS, GINA F.	13	$ 238
TOURTELLOT, CHRISTOPHER	14	$ 977
VELAZQUEZ, MARTA R.	13	$ 775
LAZARUS, ROSALIND A.	14	$ 281
MILLARD, ALEXANDER J.	14	$ 281
MOLAR, BARRY L.	14	$ 281
RAY, THOMAS L.	15	$ 1,400
REED, MARY B.	15	$ 1,316
SMITH, PAUL SAMUEL	14	$ 281
WEINSTEIN, KENNETH N.	15	$ 1,316
YOUNG, ROBERT D.	15	$ 1,217
BENTSON, REBECCA L.	13	$ 775
DE CELL, JANE B.	14	$ 977
DONELAN, CLARE R.	15	$ 1,113
HERLIHY, THOMAS H.	15	$ 1,400
ASHBY, ROBERT	15	$ 1,281
KLOTHE, ROBERT S.	15	$ 1,263
MUSARRA, GERALD C.	15	$ 1,113
PETRIE, JOANNE G.	14	$ 281

RADLOFF, GWYNETH J.	13	$ 238
WHITEHORN, SAMUEL E.	14	$ 955
KAYLOR, PHYLLIS T.	13	$ 238
BATTAGLIA, NANCY	15	$ 1,111
BROOKS, JOSEPH A.	15	$ 1,331
LEHMAN, JR, DAYTON	15	$ 1,113
LOWRY, NICHOLAS	13	$ 238
MAHONEY, THOMAS F.	15	$ 331
NOLAN, MICHAEL K.	14	$ 281
WAGNER, WILLIAM J.	14	$ 281
WOLF, BETSY L.	15	$ 1,185
EWEN, PAULA D.	14	$ 1,890
HURD, MARY F.	13	$ 565
NOVAK, VICKI A.	15	$ 785
BRUEGGE, ANTONIA T.	14	$ 2,002
KING, MARIE E.	13	$ 565
WILLIAMS, J. BYRON	13	$ 565
ROGERS, SHIRLEY L.	13	$ 565
KASK, STANLEY S., JR.	15	$ 785
CRONIN, RICHARD J.	14	$ 667
JOHNSON, G. MARAIA	14	$ 667
RHOADS, LINDA H.	15	$ 785
BATT, GAIL A.	14	$ 667
PARRISH, PATRICIA D.	15	$ 785
PROSPERI, PATRICIA A.	14	$ 667
SCHOSSLER, DENISE G.	14	$ 667
BUDNIK, JOHN E.	14	$ 667
HUFNELL, WILLIAM J.	15	$ 5,700
SMITH, TERRY C.	15	$ 785
BRADY, RODERICK P.	14	$ 667
HARRIS, GLORIA K.	14	$ 667
WOOD, WILLIAM	15	$ 2,955
ROCKWELL, MOLLIE C.	14	$ 837
MATTHEWS, ROBERT C.	14	$ 837
GORDON, RONALD L.	14	$ 2,512
HORKAN, NANCY G.	13	$ 709
PERIN, STEPHEN	15	$ 985
STOKES, ROBERT F. JR	14	$ 667
FEDE, ROBERTA R.	13	$ 1,678
CHASTAIN, DENNIS R.	15	$ 2,331
HEARN, LESLIE E.	15	$ 777
MIGUELINO, ELIAS J.	14	$ 660
MORGAN, WILLIAM C.	14	$ 660
BARRETT, MARY M.	14	$ 660
HAHN, CAROLYN A.	13	$ 559
CORREIA, NANCY H.	14	$ 660
GLASSMAN, SANFORD	15	$ 777
LOFTIS, DELL J.	14	$ 1,981
MC GUIGAN, WILLIAM M.	13	$ 1,678
BREITLER, ALAN L.	14	$ 1,981
KURIHARA, THOMAS M.	14	$ 1,981
ROBB, CHARLES M.	14	$ 660
SCALISE, GARY A.	14	$ 660
CHANDLER, JOHN W.	15	$ 777
HOKE, BRADLEY H.	15	$ 777
PEMBERTON, RICHARD K.	15	$ 2,640
KENNEY, HARRY S. JR.	15	$ 2,640
MC CULLOUGH, GARY W.	14	$ 2,244

SUTTON, CAROL A.	14	$ 748
BLEICHER, JOSEPH W.	14	$ 748
BROADDUS, PERRY W.	13	$ 634
ROCKMAKER, PHILIP	15	$ 880
JAMES, CHARLES F.	14	$ 748
VOCKE, JOSEPH F.	14	$ 748
GRIGG, CRAWFORD F.	15	$ 880
KUEHN, GEORGE H.	14	$ 748
HORTON, PAUL R.	14	$ 2,244
BRANDON, STEVE P.	13	$ 634
GRANDISON, LAWRENCE	13	$ 1,901
BEARD, ALTON L.	13	$ 634
FLAHERTY, MICHAEL	14	$ 748
LEONARD, LAWRENCE E.	15	$ 880
POEHLMAN, DOROTHY J.	14	$ 748
BURKE, MARY JO	13	$ 634
HAGGERTY, THOMAS M.	13	$ 634
NORRIS, LORETTA A.	13	$ 634
KINSTON, HARVEY E.	13	$ 634
BARHAM, OSWALD J.	14	$ 630
LEIBOWITZ, IRA	14	$ 630
RIES, BARBARA	14	$ 630
ONEY, LYNNE L.	14	$ 4,310
PITTS, CAROL A.	14	$ 4,310
MC LAUGHLIN, CHARLES	14	$ 1,437
VENTURA, CHARLES E.	15	$ 1,690
SCOTT, MARY LYNN	15	$ 1,690
WEAKLEY, BARBARA P.	14	$ 1,437
BROWN, SYLVIA	13	$ 1,217
TAYLOR, JOHN J.	15	$ 2,223
KERNS, JOHN M.	14	$ 630
MOSBY, NATHANIEL	13	$ 534
BROWN, ERIC L.	13	$ 606
CAPUANO, JOSEPH A., JR	15	$ 2,523
HENDERSON, GEORGE W.	15	$ 2,523
JOHNSON, JOYCE B.	14	$ 715
LE CLAIR, DANIEL J.	15	$ 841
POLHAMUS, RICHARD A.	14	$ 2,145
STOWE, DENNIS J.	15	$ 841
THOMPSON, OLIVIA N.	14	$ 715
WESTON, RONALD A.	14	$ 715
MILLS, DONALD J.	14	$ 2,145
MOORE, CHARLES E.	15	$ 841
MELVIN, KATHRYN A.	13	$ 606
NOYES, PETER A.	13	$ 606
ROBERSON, ROSIE L.	14	$ 715
HOLDEN, BETTY J.	14	$ 715

SENATOR LAUTENBERG: The Committee, in its Report on H.R. 2890, directed the Department to submit a plan, with appropriate continuing milestones, on correcting managerial and financial deficiencies identified by the Department's Federal Manager's Financial Integrity Act (FMFIA) Reports and the Inspector General by the end of this fiscal year. This report was dated October 1, 1987. The Committee received it March 17, 1988. The report submittal, moreover, consists in the main of a recounting of the Department's efforts to rectify a number of these

defects in its financial and managerial procedures. No timetable with relevant benchmarks for correcting outstanding deficiencies, however, is presented. Why was the "plan" submitted over 3 months late?

ANSWER: Developing and coordinating this report was much more time-consuming than had been anticipated. It was originally thought that the report could be completed in a relatively short time frame; however, when it became apparent that this was not the case we failed to so inform the Committee. For future reports, we have directed that notification be promptly given should we be unable to provide requested data within the established time frame.

Additionally, it was felt that there was an impression on the part of the Committee that the Department had not taken prompt action on internal controls. Narrative form was used in an effort to convey the Department's serious intent in addressing these issues.

SENATOR LAUTENBERG: Why did it not include the requested schedule for implementing the necessary reforms?

ANSWER: The response included enclosures detailing the status of initiatives to correct previously reported weaknesses rather than a list of scheduled project completion dates. At this time, 78 of the 100 weaknesses have been corrected. Of the remaining 22, we indicated that 17 will be completed in Fiscal Year 1988. The remaining five weaknesses require longer term corrective actions as shown below:

Material Weakness	Action	Milestones/ Completion Date
Prompt Pay Act Implementation	Implement Departmental Accounting and Financial Information System (DAFIS)	- As the modes are converted to DAFIS, they will have the Prompt Pay Provisions that DAFIS provides. - Scheduled dates for converting to DAFIS: o NHTSA- May 1988 o USCG - Jan. 1988-Aug. 1990 o OST - July 1990 o FRA - Oct. 1990 o UMTA - Dec. 1990 o FHWA - May 1991 o MARAD- Sept. 1991 - Completion Date: FY 1991
Depot Inventory Reconciliations	Implement automated Logistics and Inventory System (LIS)	- Project start November 1982. - Initial phase completed January 1984.

		- Project materiel completed May 1985. - Utilization, Screening & Disposal (USD)completed May 1986. - Interim on-line requisitioning pilot program completed August 1986. - Cataloging completed October 1986. - With the last two milestones completed, apprroximately 2000 users have been trained and converted to this capability. - Acquired off-the-shelf software package which will be modified for FAA's use. Acquisition April 1988. - Five short term programs (Name and Address Request Automated, Automated Procurement Interface, Engineering Database, Customer Service Evaluation, and Government Bill of Lading System) scheduled to be implemented Summer 1988. - Between now and total implementation of LIS, FAA will continue to add users with an estimated total of 3,000 - 4,000. - Completion Date: Spring 1990
Grants Management System	Implement Grants Management Information System (GMIS)	- A two-phased implementation is planned to correct this weakness. o Phase one involved the development of a funds control, project set-up and grants tracking module

		to capture financial data up to the awarding of a grant. Completed March 22, 1988. o Phase two focuses on UMTA's ability to manage its grants; oversee corrective actions resulting from audits and triennial reviews; monitor grant implementation in order to keep projects on schedule; improve program planning, and provide system access to major grantees. - Test with a major grantee the ability to provide system access - October 1988. - Scheduled completion date for phase two - July 1989.
Policy - Transportation of School Children	Administrative Action	- UMTA is exploring administrative actions to resolve this matter rather than correcting it by the formal regulatory process. o Meeting is scheduled between HQ representatives and Regional Counsel/Grants Management representatives. One of the matters to be discussed will be an existing policy that addresses this weakness. Meeting scheduled for week of May 16, 1988. o As UMTA grantees are reviewed during the triennial review, conformance to

		UMTA's policy will be determined.

NOTE: UMTA's triennial review provides for all grantees being reviewed within a three year time span.

Vessel Spare Parts Inventories	Development and implementation of policies, procedures and systems	- Shorebased Spares o Develop and implement formal policies and procedures to establish an accounting system for shore-based spare parts inventories - May 30, 1988. o Develop stockage objectives for shore-based spares - May 30, 1988. o Develop guidelines for inventory management- September 1988. - Shipboard Spares o Develop guidance for monitoring and supervising physical inventories, security, and records - May 30, 1988. o Develop instructions for improving accuracy of records and security - September 30, 1988. o Overall System o Complete MARAD evaluation and monitoring for system effectiveness-September 30, 1988.

SENATOR LAUTENBERG: Will the Department have the remaining 22 defects acknowledged in your submission corrected before the end of the fiscal year? If not, why not?

ANSWER: As noted above, seventeen of the weakneses will be corrected by the end of this fiscal year. The remaining five weaknesses require long term fixes. A listing of the 100 "material" weakness areas is provided below by administration and functional area.

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT
MATERIAL WEAKNESSES

		Corrected	Corrected By Sept. 1988	Long-Term Correction
OFFICE OF THE SECRETARY				
	ADP Security			
1.	Software Access Control		X	
2.	Identify and certify sensitive applications	X		
3.	Conduct risk analyses of facilities	X		
4.	Contingency plans	X		
5.	Develop policies and procedures in Transportation Computer Center	X		
	Financial Management			
6.	Cash management policy	X		
7.	Debt collection policy	X		
8.	Accounting operations reconciliations	X		
9.	Implement Imprest Fund review procedures	X		
10.	Implement IRS Form 1099 reporting procedures	X		
11.	Implement Prompt Pay provisions			X
	Property Management			
12.	Identifying and accounting for personal property	X		
	Procurement			
13.	Procurement clearance procedures	X		
14.	Closeout of contracts	X		
15.	Procurement request procedures	X		
16.	Procurement automated information system	X		
17.	Inadequate training of procurement staff on procedures and policy	X		
UNITED STATES COAST GUARD				
	ADP Security			
18.	Lack of security controls	X		
	Financial Management			
19.	Various areas (i.e., cash management, accounts receivable, etc.)	X		
20.	Security over automated accounts payable system	X		
21.	Develop and implement procedures for collection activities	X		
22.	Imprest funds		X	
	Property Management			
23.	Lack of policies and procedures to control electronic equipment	X		

	Corrected	Corrected By Sept. 1988	Long-Term Correction
UNITED STATES COAST GUARD (CONT'D)			
24. Lack of controls over property management	X		
25. Yard inventory policies and procedures	X		
26. Property procedures for contractor held property	X		
27. Inventory procedures of onboard repair parts		X	
28. Implementation of automated inventory system		X	
Procurement			
29. Timeliness of acquisitions	X		
30. Implement procurement procedures for spare parts and small purchases	X		
Program Management			
31. Administering Pollution Fund activities	X		
32. Overseas Housing Allowance Program	X		
33. Health Services Program	X		
34. Marine Safety Information Program	X		
35. Vessel Repair and Prevent Maintenance	X		
36. Government Quarters/ Relief Boat	X		
37. Marine Environmental Protection	X		
38. Coast Guard Bridge Administration	X		
39. Cummins VT-903 Overhaul Program		X	
40. Hazardous waste and materials		X	
41. PCB electrical equipment management		X	
42. Procedures for repair versus purchase of parts		X	
FEDERAL AVIATION ADMINISTRATION			
ADP Security			
43. ADP policy		X	
44. ADP operations		X	
Financial Management			
45. Cash receipts	X		
46. Accounting system security	X		
Property Management			
47. Lack of controls over personal property at selected field locations	X		
48. Lack of property management control at headquarters	X		
49. Physical Inventories	X		
50. Depot Inventory Reconciliation			X
Procurement			
51. Procurement procedures	X		

		Corrected	Corrected By Sept. 1988	Long-Term Correction
	Program Management			
52.	Energy Conservation Program	X		
53.	Airline Enroute Inspection & Surveillance	X		
54.	Hazardous materials and fuels	X		
55.	Spill prevention and control		X	
56.	Disaster Contingency Plan	X		
57.	Airway Facilities Technical Changes	X		
58.	Management and Utilization of Leased Vehicles	X		
59.	Permanent Change of Station Travel Voucher procedures	X		
60.	Drug testing	X		
61.	Engine management	X		
	FEDERAL HIGHWAY ADMINISTRATION			
	ADP Security			
62.	Under utilization of automated systems	X		
	Financial Management			
63.	Timeliness of obligations	X		
	Property Management			
64.	Management and disposal of surplus property	X		
65.	Inventory of accountable property	X		
	Procurement			
66.	Lack of control over change orders	X		
	Program Management			
67.	Review of grantee change orders	X		
68.	Certification of Disadvantaged Business Organizations	X		
69.	Grantee employment of consultants on Federal Aid Highway Projects.		X	
70.	Urban highway construction delays	X		
	FEDERAL RAILROAD ADMINISTRATION			
	Financial Management			
71.	Lack of control over receivables	X		
72.	Untimely billings and collections	X		
	Property Management			
73.	Property policy and procedures implementation	X		

	Corrected	Corrected By Sept. 1988	Long-Term Correction
URBAN MASS TRANSPORTATION ADMINISTRATION			
ADP Security			
74. Information Resource Management Program policy		X	
Financial Management			
75. Lack of fund control	X		
76. Improve voucher preaudit and approval procedures	X		
Property Management			
77. Procedures and inventories	X		
Procurement			
78. Procedures		X	
Program Management			
79. Grants Management System			X
80. Grantees possession of surplus property	X		
81. Policy on grantees management of bus fleets	X		
82. Bus utilization policy	X		
83. Grant management closeout policies and procedures	X		
84. Validation of Mass Transit Formula Grant Data	X		
85. Revise grant triennial review guidance.		X	
86. Disadvantaged/Women Business Enterprise Program	X		
87. Audit followup report system	X		
88. Transportation of school children policy			X
89. Section 18 Management	X		
MARITIME ADMINISTRATION			
ADP Security			
90. Disaster recovery controls		X	
91. Software security.		X	
Property Management			
92. Vessel spare parts			X
Procurement			
93. Change orders on ship repairs	X		
Program Management			
94. Subsidized Operator's Maintenance	X		
NATIONAL HIGHWAY TRAFFIC ADMINISTRATION			
Financial Management			
95. Validation of accounting data prior to input	X		

	Corrected	Corrected By Sept. 1988	Long-Term Correction
NATIONAL HIGHWAY TRAFFIC ADMINISTRATION (CONT'D)			
Property Management			
96. Property in possession of contractors	X		
Procurement			
97. Provide for open competition	X		
Program Management			
98. Grantee controlled property	X		
99. Motor Vehicle Research	X		
100. Odometer Enforcement	X		

PUBLIC AFFAIRS

SENATOR LAUTENBERG: Why will it cost $1,000 more for your travels with the Secretary?

ANSWER: Increase is due to a combination of inflation and increasing level of media attention to Department activities, resulting in additional press requests for interviews.

SENATOR LAUTENBERG: Provide a list of all trips for fiscal years 1986 to present, including costs and purposes.

ANSWER: The requested information follows:

Destination and Dates	Purpose	Cost
Kansas City, St. Louis, MO, Wichita, KA. 10/9-10/85	Accompany Secretary performing press duties.	$55.11
Gainesville, FL. 10/18/85	Accompany Secretary performing press duties.	17.35
Miami, FL. 10/29-30/85	Accompany Secretary performing press duties	297.58
New York, N.Y. 11/4/85	Accompany Secretary performing press duties.	106.00
Greensboro, N.C. 11/15/85	Accompany Secretary performing press duties.	150.25
Williamsburg, VA 11/21-23/85	To deliver speech to Seminar for Prospective Women Managers.	79.86
Lake Tahoe, CA. via Los Angeles, CA. 12/2-4/85	Accompany Secretary performing press duties.	738.49
Ft. Lauderdale, Tampa, Orlando, FL. 3/21-22/86	Accompany Secretary performing press duties.	300.25

Destination and Dates	Purpose	Cost
New York, N.Y. 5/6/86	Planning press coverage with Coast Guard for July 4 Miss Liberty celebration.	$132.00
St. Louis, MO. 5/7/86	Accompany Secretary performing press duties.	218.00
Norfolk, VA. 5/17/86	Accompany Secretary performing press duties.	72.25
Nashua, New Hampshire 5/18/86	Accompany Secretary performing press duties.	26.50
New York, N.Y. 6/11-12/86	Briefing by Coast Guard for July 4 Miss Liberty celebration.	154.85
Stamford, CT. via New York, N.Y. 6/19/86	Accompany Secretary performing press duties.	51.25
Boston, MA. 6/21-22/86	Accompany Secretary performing press duties.	66.00
New York, N.Y. 6/29-7/5/86	Assist with press duties for Secretary in Miss Liberty celebration.	250.00
FY-87		
CO;WA;OR:CA;NV;AZ;KC; IL;IA;NE;MO;TX;AL; GA;FL;MA;CT. 10/13-10-30/86	Accompany Secretary performing press duties.	780.45
Charlotte, N.C. 10/21/86	Accompany Deputy Secretary performing press duties.	182.16
San Francisco, CA. China; Japan; Korea 11/3-19/86	Accompany Deputy Secretary performing press duties.	4,668.38
New York, N.Y. 11/5-11/86	Accompany Secretary performing press duties.	265.00
Kankakee, IL; Boston, MA. 12/11/86	Accompany Secretary performing press duties.	151.93
Oklahoma City, OK. 2/20-21-87	Accompany Secretary performing press duties.	199.90
New York, N.Y. 2/25/87	To make advance arrangements for Secretary.	174.00

Destination and Dates	Purpose	Cost
New York, N.Y. 3/19-20/87	Accompany Secretary performing press duties.	$342.21
New York, N.Y. 3/20/87	Assist Secretary in press arrangements.	207.50
Chicago, IL; Des Moines, IA; N.Y.; Raleigh, N.C. 3/24-26/87	Accompany Secretary performing press duties.	394.54
Sarasota, FL; West Palm Beach, FL. 3/27-28/87	Accompany Secretary performing press duties.	327.38
Nashua, New Hampshire Westford, MA. 4/1-2/87	Accompany Secretary performing press duties.	87.79
Portland, ME.; Augusta, ME. 4/3/87	Accompany Secretary performing press duties.	12.50
New York, N.Y. Paris, France 4/10-13/87	Accompany Secretary performing press duties while in France.	3,092.00
Oklahoma, OK.; Ponca City, OK.; Athens, GA. 4/23-25/87	Accompany Secretary performing press duties.	159.34
Des Moines, IA.; Cedar Rapids, IA.; Waukesha, Milwaukee, WI. 4/27-29/87	Accompany Secretary performing press duties.	237.43
Sioux Falls, S.D.; New Orleans, LA.; Pinehurst, N.C. 5/6-8/87	Accompany Secretary performing press duties.	262.30
Topeka, KS,; Smithtown, N.Y.,; Columbus, MA.; Concord, N.H. 5/13-16/87	Accompany Secretary performing press duties.	652.18
Waterloo, IA.; via Shenandoah, IA. 5/24/87	Accompany Secretary performing press duties.	388.50
Youngstown, OH.; via Toledo; Columbus, OH. 5/26-27/87	Accompany Secretary performing press duties.	121.64

Destination and Dates	Purpose	Cost
Wellesley, MA.; via Asheville, N.C.; Columbia, S.C. Charlotte, N.C. 5/29-30/87	Accompany Secretary performing press duties.	$131.48
Dallas, TX,; Little Rock, AR.; Fayetteville, AR., Hot Springs, AR. 6/4-5/87	Accompany Secretary performing press duties.	311.17
Denver, CO. 6/12/87	Accompany Secretary performing press duties.	361.50
San Francisco, CA.; Boise, ID.; Minneapolis, MN. 6/14-16/87	Accompany Secretary performing press duties.	291.85
New York, N.Y.; San Juan, Pureto Rico 6/18-21/87	Accompany Secretary performing press duties.	802.73
Evanston, IL. 6/24-25/87	Accompany Deputy Secretary performing press duties.	522.45
Miami, FL.; Orlando, Jacksonville, FL. 6/25-26/87	Accompany Secretary performing press duties.	261.50
Dallas, Fort Worth, TX. 7/2/87	Accompany Deputy Secretary performing press duties.	286.50
LaCrosse, WI. 7/13/87	Accompany Secretary performing press duties.	796.00
Worcester, MA. 7/14/87	Accompany Secretary performing press duties.	10.34
Huntsville, Mobile, AL. 7/17-18/87	Accompany Secretary performing press duties.	12.50
Evanston, IL. 7/23/87	Accompany Secretary performing press duties.	6.25
Charlotte, N.C. 8/22-23/87	Accompany Secretary performing press duties.	266.24
Spokane, WA.; via Coeur D'Alene, ID. 8/29/87	Accompany Secretary performing press duties.	263.00

Destination and Dates	Purpose	Cost
Groton; Windsor Locks, CT. 9/10/87	Accompany Secretary performing press duties.	$6.25
Sea Island, GA; Hickory, Charlotte, N.C. 9/11-12/87	Accompany Secretary performing press duties.	239.25
New York, N.Y. 9/17/87	Accompany Secretary performing press duties.	156.85
Raleigh, N.C.; Orlando, FL.; Atlanta, GA. 9/18-21/87	Accompany Secretary performing press duties.	957.73
Philadelphia, PA. 9/23/87	Accompany Secretary performing press duties.	104.25
Philadelphia, PA.; St. Cloud, MN.; Ames, IA. 9/25-26/87	Accompany Secretary performing press duties.	139.00
Boston, MA. 9/29/87	Accompany Secretary performing press duties.	16.50
FY-1988		
Williamsburg, VA. 3/10-11/87	Deliver speech to Seminar for Prospective Women Managers.	135.71

OFFICE OF COMMERCIAL SPACE TRANSPORTATION

SENATOR LAUTENBERG: Provide a list of private launches you have licensed or are in the process of licensing in fiscal year 1987 to present, indicating the firm, payload/purpose, economic value, cost to the government, and reimbursements or other revenue to the government.

ANSWER: The table below shows the status of applications and licenses issued.

The exact economic value of these commercial contracts is difficult to accurately determine since the industry is highly competitive and therefore the values of the contracts are closely held. It is our estimate that the launch contracts range from $50 million to approximately $100 million per launch. Total launch value is probably in the range of $1 billion. The value of the communication payloads range from $40 million to as much as approximately $150 million. The total value of the satellites also probably exceeds $1 billion.

The government incurs no costs for the launches other than the cost to evaluate the license application unless it is the customer. The government charges all direct costs for the use of the ranges to the commercial company to avoid any direct subsidy. These direct costs range from $1 million to $2 million per launch.

LICENSE APPLICATIONS
(in review or firm contracts)*

COMPANY	PAYLOAD	STATUS
Martin Marietta	JCSAT (Japanese) Telecomm.	Mission Review in process
	Skynet (British) Telecomm.	Mission Review in process
	IntelSat (2)** (Intern'l Consort'm) Telecomm.	Mission Review completed
McDonnell Douglas	InSat (Indian) Telecomm.	License Application received 2/18/88
	Inmarsat (2) (Intern'l) Telecomm.	Application expected 6/88
	BSBR1 (British) Telecomm.	Application expected 9/88
	BSBR2 (British) Telecomm.	Application expected 9/88
	PALAPA B2-R (Indonesian) Telecomm.	Application expected '89
	ROSAT (U.S. Govt) Scientific	Application expected '89
	EUVE (U.S. Govt) Scientific	Application expected '89
General Dynamics	FLTSATCOM (U.S. Govt) Telecomm.	Application expected in '88

	GOES (3) (U.S. Govt.) Remote Sensing	Applications expected in '88
	EutelSat (European) Telecomm.	Appl. expected in '88
Conatec	Microgravity (2)	Licensed 1/88
Hawaii	Commercial Range	Announcement 2/88
Florida	Space Port	Announcement 3/88

* Does not include 17 known launch reservations
**multiple launches of the same type payload

OFFICE OF COMMERCIAL SPACE POSITIONS

SENATOR LAUTENBERG: You are requesting an increase of $367,000 (or 95%) and 8 positions for the Office of Commercial Space Transportation. The FY 1988 continuing resolution (H.J. Res 395) provided authority for the addition of 10 personnel with expertise in space related activities. Have you made use of this authority?

ANSWER: Yes. We have hired 7 additional individuals this year.

SENATOR LAUTENBERG: How many detailees do you have on board?

ANSWER: DOT is presently using a non-reimbursable NASA detailee. The individual is quite capable and has been very helpful to both agencies. DOT has used full time detailees from the Air Force, NASA and the FAA but, as a general rule, the approach has proved not to be workable. Each agency's mission is different. DOT does not launch vehicles and when that expertise is required at various times, it is available through our contractors and points of contact with the appropriate agency. The impact of our regulatory authority on the industry requires that DOT have access to the most capable individuals and these types of individuals are typically not the type that an agency is willing to give up. Continuity is also a problem since it is very important in this context.

The assignment of liaisons by other agencies has proved to be very useful and we find this to be quite adequate.

SENATOR LAUTENBERG: Why is it necessary to add another 8 permanent positions at this time?

ANSWER: The workload of the office is increasing geometrically, and without these resources, the licensing process will be delayed.

Moreover, there may be direct safety impacts without these resources.

In FY 1988 there will be no commercial launches. Between December 1988 and December 1989, commercial launches are scheduled at a rate of nearly 1 a month. During this period, the office will not only be handling a licensing workload for at least ten new applications, but also the inspection and monitoring of the ten commercial activities that we expect to be already licensed.

TRANSPORTATION PLANNING, RESEARCH, AND DEVELOPMENT

Senator Lautenberg: Provide a table displaying the permanent position and FTE's associated with each of the activities appearing in the justification.

Answer: The following table provides the requested information.

SUMMARY OF PERSONNEL ASSIGNMENTS

		Pos.	FTE
I.	Transportation Policy and Planning		
	A. Developing and Implementing Transportation Regulatory Policy	6	6
	B. Developing and Implementing International and Domestic Transportation Policy	3	3
	C. Developing and Implementing Transportation Economic Policy	12	12
	D. Administrative and Program Support	1	1
II.	University Research Program	2	2
III.	Commercial Space Transportation		
	A. Safety Planning and Development	3	3
	B. Licensing Procedures, Operation & Enforcement	3	3
	C. Space Hazardous Analysis and Management	2	2
	D. Industry Policy and Planning	3	3
	E. Program Support	--	--
	F. Administrative and Staffing Costs	--	--
	Total	35	35

SENATOR LAUTENBERG: Explain why your analyses and studies are not duplicative of work already being done in the modal administrations. For example, what specifically have you contributed in the area of cabin flammability or air traffic terminal control areas that FAA would not be able to provide either directly or through a rulemaking?

ANSWER: In general, the analyses of the Office of the Secretary reflect our responsibility to provide oversight from an intermodal viewpoint, implement the policy priorities of the Administration and the Congress, and ensure that maximum safety standards are met by the operating administrations. These analyses are sometimes undertaken as part of the review or clearance of studies that are required by the Administration, or the Congress, and sometimes result in proposals for new safety initiatives and opportunities that may be missed by the modal administrations because they are too close to the issues.

In the area of cabin flammability, it was analysis by OST staff of the draft Notice of Proposed Rulemaking on Protective Breathing Equipment which demonstrated that the inherent benefit cost ratio was greater than one, so that favorable action by the Department and OMB could be justified. An OST review of the implementation of a rulemaking on the hazards of seat cushion fires on large Part 135 aircraft (used by many air taxis) led the Secretary to tighten FAA's proposal to extend the schedule for implementation and make the relaxation far more limited. An OST analysis of FAA's inspection process indicated that--notwithstanding major inspection efforts--some airlines were deliberately falsifying their records. As a result, the FAA was directed to establish a confidential "hot line" which has been operating successfully for almost three years, receiving "tips" covering the full range of safety deficiencies, including cabin safety concerns.

When the tragic midair collision of an Aeromexico flight over Cerritos, California, was followed by several near midair collisions, one of which featured almost identical circumstances, it became obvious that immediate action was required to prevent repeats of such incidents. OST proposed that FAA develop and expedite a rulemaking to revise and simplify the Los Angeles Terminal Control Area (TCA), which under normal regulatory timetables and internal procedures would have required several years to implement. Also, it was as a result of an OST evaluation that FAA was pressed to overhaul its procedures for processing reports of near midair collisions.

SENATOR LAUTENBERG: Provide for the record a list of your contractors for fiscal years 1986 to present, indicating the recipient, purpose, work product, and cost.

ANSWER: The following table provides the requested information.

CONTRACTS BY FISCAL YEAR
DEVELOPMENT AND IMPLEMENTING TRANSPORTATION REGULATORY POLICY

Contractor	Purpose/Product	Cost
1986		
TSC	Support Interagency Committee on Search and Rescue/Report on Testing of Emergency Locating Transmitter for Aircraft	30,000
TSC	Provide Technical Support for DOT Final Rule/Regulatory Impact Analysis of Commuter Rail Accessibility to the Handicapped	$4,000
TSC	Determine extent to which Drug Use Affects Safety/Drug Use and Operator	$10,000
TSC	Small Business Innovation Research Program/Report on Magnetic/Optic Flaw Detection	$10,000
1987		
TRI Technical Resources	Provide transcript of public meeting/Official Record of a Negotiated Rulemaking on Discrimination against Handicapped in Air Travel	$15,000
TSC	Small Business Innovation Research/ Post-crash Aircraft Fuel Fed Fire Prevention	$4,000

SENATOR LAUTENBERG: How will your proposed study of deregulation and safety relate to the effort to develop a standard set of safety indicators now underway at FAA?

ANSWER: The proposed study will be closely coordinated with the Safety Indicators Program underway at FAA. Our study would in fact not begin until the FAA program has issued its draft safety indicator concepts report and hence will be able to build on that work in attempting to describe different facets of the so-called "margin of safety" as far as airline safety is concerned. Our study would also cover safety indicators in the motor carrier area, which will not be included in the FAA indicators program.

SENATOR LAUTENBERG: The Administration consistently denies that there has been any derogation of safety associated with deregulation in any transportation mode. Does your study propose to address some outstanding or unresolved issue? Or will it just compile data intended to confirm the administration's position on the matter?

ANSWER: We maintain that there are no objective measures to support the claims of critics who maintain that safety has suffered as a result of deregulation in any mode. Nevertheless, we must continually investigate and re-evaluate all factors related to safety and economic deregulation in order to assure the public that this continues to be the case or, if conditions change, to have the capability to identify problem areas quickly and recommend corrective action.

You are already familiar with our airline statistics which show the improvement in the accident and fatality rates per 100,000 flight hours, in the nine years after deregulation as compared to the previous nine years. Fatal accidents per million vehicle miles for motor carriers have also fallen, by almost 30 percent since 1987, and both the November 1987 California report and the report of a 1987 safety conference at Northwestern University concluded that they could not link deregulation with a reduction in safety. The study at issue here is meant to address the "margin of safety" which the critics maintain has been reduced in spite of what all our current objective measures show. These are unresolved issues and certainly deserve to be addressed.

In some cases, the data and potential safety indicators may not have any continuity with the pre-deregulation era, either because they were not collected before, or they were reported differently before. In the absence of reliable baseline pre-deregulation data, we could use these indicators neither to confirm nor deny our position. We believe we should simply move ahead with the task of developing useful indicators to point out current or potential future safety problems.

INTERNATIONAL AND DOMESTIC TRANSPORTATION POLICY

SENATOR LAUTENBERG: Explain how your aviation data collection activities relate to RSPA's aviation information program. Why shouldn't these activities be consolidated?

ANSWER: The Policy office has been responsible for the processing of the INS I-92 reports since 1975. RSPA assumed control of the Civil Aeronautics Board's aviation data bases when that agency's aviation data functions were transferred to the Department. The Policy office and RSPA coordinated in the development of a NPRM (DOT Docket 44999) regarding airline traffic and capacity statistics which would streamline airline reporting. When this NPRM is finalized and fully implemented, the Policy's office need for the I-92 reports will be eliminated and as a result all airline reporting will be consolidated under RSPA. But our need for other aviation data such as aviation delay, tariff analysis, fare monitoring, licensing and rate cases, origin and destination survey and for airline mergers will continue.

SENATOR LAUTENBERG: Provide for the record a list of your contractors for fiscal years 1986 to present, indicating the recipient, purpose, work product, and cost.

ANSWER: The following table provides the requested information.

CONTRACTS BY FISCAL YEAR
DEVELOPING AND IMPLEMENTING INTERNATIONAL AND DOMESTIC TRANSPORTATION POLICY

Contractor	Purpose/Product	Cost
1986		
TSC	Provide International Passenger Data For Bilateral Negotiations/ Quarterly Statistical Reports	$283,000

TSC	Electronic Tariff Filing Systems Development/Documents: User Requirements-Software, Hardware Procurement	$97,000
MARAD	Development of a Quick Retrieval Maritime Data Base/ Statistical Data for International Negotiations	$70,000
1987		
TSC	Flight Delay Investigation and Consumer Advisories/Monthly Statistical Summaries	$146,000
TSC	Electronic Filing System Development/Software Development-Management Systems	$400,000
1988		
MARAD	Quick Retrieval Data Base Usage/ Statistical Reports-First Quarter	$4,000
TSC	International Passenger Data for Negotiations/Quarterly Statistical Report	$160,000
TSC	Electronic Tariff Filing System Development/ADP Requirement-Special Applications-System Design	$50,000

TRANSPORTATION ECONOMIC POLICY

SENATOR LAUTENBERG: What role did you play, specifically, in framing the consent decree with respect to scheduling priorities?

ANSWER: In August 1987, the Department obtained consent agreements with six major carriers (American, Continental, Delta, Eastern, United, and USAir). Several divisions in the Office of the Secretary (OST) played key roles. The consent agreements were negotiated and drafted by senior staff attorneys in the OST Aviation Enforcement and Proceedings Division, in the Office of the General Counsel. The agreements were based on data on the rate of on-time arrivals for the major carriers' flights to and from Atlanta, Boston, Chicago O'Hare, and Dallas/ Ft. Worth during the period January 1 through June 30, 1987, from the airline delay investigations which the Department began in January 1987. The Office of Economics in the OST Policy Office conducted the data analysis. Various senior DOT officials, including the Deputy Secretary at the time, closely followed both the data results and the agreements and approved the terms of the agreements. The Department subsequently obtained a similar agreement with one additional carrier (PSA) as a result of our delay investigations at a second set of airports (Denver, Newark, LaGuardia, and San Francisco).

SENATOR LAUTENBERG: You indicate that you are still investigating carrier scheduling practices at several major hubs. What are your findings to this point? When do you expect to complete the study?

ANSWER: We have completed the Department's airline delay investigations, with data on flight operations to/from the eight

airports named above for the period January through December 1987. The final data submissions required under the DOT investigation orders were submitted on January 15, 1988.

The investigations have been superseded by the data collected under the Department's new consumer rule (14 CFR Part 234). The new rule, which took effect in September 1987, requires much more extensive reporting of carrier scheduling and flight performance data. The Part 234 reporting requirements include the same level of detail about each flight operation that was required in the DOT investigations, but we are now receiving the data for the 14 largest U.S. carriers' entire domestic systems — some 440,000 flight operations each month (the rule covers all U.S. carriers with one percent or more of total U.S. domestic passenger revenues). Consequently, we are now using the data submitted under Part 234 to analyze scheduling problems and monitor the carriers' on-time performance, including their compliance with the consent agreements. The rule has no termination date. We plan to continue to track the carriers' on-time performance and publish the results each month in the new Air Travel Consumer Report.

Our findings to date, from both the delay investigations and the current Part 234 data, indicate that the carriers have made substantial progress in improving their on-time performance. In general, for the second half of 1987 and the first quarter of 1988, we have found an improvement of 15 to 20 percentage points in the carriers' rate of on-time flight arrivals, compared to the first half of 1987.

SENATOR LAUTENBERG: What recommendations do you expect to make?

ANSWER: We have already implemented the major recommendations that resulted from the Department's airline delay investigations, namely: (1) To obtain consent agreements requiring the major carriers to correct their routinely delayed flights; (2) To develop and implement a new consumer rule requiring the major carriers to disclose the on-time performance of their flights in data reported to the Department, and to make that information available to consumers by posting the performance rate for each flight on the computer reservation system display screens used by travel agents and carrier reservation agents; (3) To develop and publish a monthly Air Travel Consumer Report summarizing the data on flight performance by carrier, airport, and time of day; and (4) To develop and implement internal computer programs that will enable us to analyze the Part 234 data base, continue to monitor the carriers' performance, and take any enforcement action that may be warranted in the future.

SENATOR LAUTENBERG: FAA has an ongoing research program on airport capacity for which $13.5 million is requested in fiscal 1989. Why do you need $180,000 to study airport capacity?

ANSWER: The growing problems associated with airport congestion and increasing airport demand will require research and analysis across a broad spectrum of potential technological, economic and regulatory actions. A good deal of such research is underway or anticipated that will concentrate on added airport capacity strategies through the expansion of current airport facilities, the utilization of new traffic control

technology and practices or the development of new airports. Our proposed research will focus on actions that can be taken to make more efficient use of already existing airport facilities through a variety of economic, pricing, scheduling and marketing actions. This set of research questions is intended to complement those research efforts that are dealing directly with the need for new and added capacity. We will closely coordinate our findings with those of others, including the FAA, who are undertaking airport capacity research.

SENATOR LAUTENBERG: Provide for the record a list of your contractors for fiscal years 1986 to present, indicating the recipient, purpose, work product, and cost.

ANSWER: The following table provides the requested information.

CONTRACTS BY FISCAL YEAR
DEVELOPING AND IMPLEMENTING TRANSPORTATION ECONOMIC POLICY

Contractor	Purpose/Product	Cost
1986		
Pacific Basin Development Council	Study of Ocean Transportation Needs in the Pacific Basin Region/Data for Study Collected	$10,000
Dept. of Commerce	Federal Export Coal Commission/ Support Program	$36,000
Florida A&M	Improved Methods for Analysis of Transportation Investment Decisions/Final Report	$20,000
Admin. Conf. of U.S.	Survey and Analysis of User Fee Statutes/Report	$25,000
Dillard Univ.	Analysis of Regional Response to Hazardous Pollution Incidents/ Second Phase Report	$70,000
Howard Univ.	Rapid Transit Station Sites and Associated Development on the METRO Green Line/Preliminary Data for Computer Model	$100,000
1987		
FHWA	Alternatives Analysis for 1987 NPTS/National Personal Transportation System	$4,000
Northwestern	Highway and Air Safety under Deregulation/Report of National Safety Forum	$100,000
Control Data	Data Base Management for Federal Reports on Transportation outlays and receipts/Data for Federal Report	$15,000
Howard Univ.	Rapid Transit Station Sites and Associated Development on the METRO Green Line/Phase II Report on Computer Model Development	$100,000

TSC	Long Range Strategic Study Plan/Task Development	$20,000
TSC	Issues and benefits of peak period pricing for airport operation/Report on Method	$40,000
TSC	Data collection and validation for flight delay investigation/Monthly Statistical report and summaries	$148,000
Census Bureau	Preparation of 1987 National Personal Transportation Study/ Copies of the Study for Policy	$100,000

1988 (October-April)

Census Bureau	Obtain Data for Policy Determinations/Air Carrier Imports & Exports Data	$70,000
TSC	Provide report to University Community/University Research Annual Report	$15,000
TSC	National Strategic Transportation Study/Data Collection, Analysis and Report	$250,000

UNIVERSITY RESEARCH

SENATOR LAUTENBERG: Why do you propose to spend only $265,000 out of a total $3,360,000 for university research?

ANSWER: The University Research Program has made outstanding contributions to the body of transportation knowledge over the past 15 years; however, over the past three years other priorities have necessitated a reduction in the Program. The $265,000 in funding requested for FY 1989 is for ongoing studies. The Program has not had a major solicitation for new research since FY 1985.

SENATOR LAUTENBERG: What are the major accomplishments of the University Research Program over the past 5 years?

ANSWER: A representative set of specific research accomplishments arranged in the four areas under the Program of University Research and a discussion of how the research results are disseminated follows.

Transportation Investment and Financing - Massachusetts Institute of Technology applied life-cycle costing to highway maintenance and discovered that a comprehensive analysis of pavement investments could reduce total service costs. A study by Iowa State University explains a way to gain economic benefits by abandoning low volume rural roads and bridges while guaranteeing access to property by local citizens. California State University at Long Beach recently completed research which reveals that close private/public cooperation can improve the flow of goods through ports. A project with Howard University is producing analytical tools to plan development around urban transit stations. The project has already brought about a better understanding of the effects of rail transit systems on development patterns and approaches to shaping such development. Research at Harvard University indicates that more sophisticated highway investment rules could significantly improve the benefits that accrue to funding agencies and highway users. Northwestern University, in

developing a model to forecast the effects of transportation investments, found that transportation does have an impact on housing and land values and that the benefits can be captured by a special assessment tax.

Transportation Regulation - Research by faculty of the Universities of Kentucky and Florida revealed that intrastate motor carrier deregulation in the states of Florida and Arizona has been very successful. A majority of Florida shippers believed that deregulation had held truck rates down. Comparisons of corresponding intrastate and interstate rates in Florida revealed that, over all routes studied, intrastate rates rose at a slower pace than interstate rates, suggesting that the remaining interstate regulation is keeping rates higher than they should be. Arizona and Florida shippers are enthusiastic about truck deregulation. Service levels have been maintained or improved, and rates in Arizona have increased only moderately. A study by North Carolina A&T State University disclosed that regulatory reform in the motor carrier industry has produced new levels of competition and new opportunities for shipper cost savings. Oregon State University is investigating the impact of state regulation of motor carriers on interstate transportation, specifically examining whether the existence of regulation in the states of California, Oregon, and Washington exerts additional costs on both carriers and shippers in interstate commerce. The University of Pennsylvania is also reviewing state economic regulation in those approximately 40 states which still exert control over entry and rates in the trucking industry. The hypothesis in both studies is that strong entry controls may inhibit some regional and national carriers from participating in intrastate markets which would help them operate more efficiently in their interstate operations.

Transportation Safety - The University of Illinois at Chicago developed a course on Motor Vehicle Trauma. The improved handling of trauma in accident victims is expected to save hundreds of lives over the next 20 years. A study at Western Kentucky University on the self-heating of coal in river barges contributes to the reduction of fires on board barges in the Mississippi River. Research on impacts of children's safety seat legislation by the University of California at Irvine determined that both the number and severity of injuries went down after the law was enacted. The University of Michigan has been conducting research on towed vessel safety. Maintaining stability of towed vessels will improve the economics as well as the safety of the operation. Kansas State University developed manuals to help small communities handle hazardous materials emergencies and cope with the threat to life, property and environment from the transportation of hazardous materials.

Transportation Technology - A study of crack propagation in high pressure pipelines by the University of Washington has revealed the nature of axial cracks. This work contributes to the reduction of pipeline ruptures. North Carolina State University investigated tire/pavement interaction and provided fundamental knowledge concerning tire excitation mechanisms, vibration, acoustic radiation and skid characteristics. This information will be used by tire manufacturers to lower the problem noises associated with truck tires. Research performed by Lehigh University on fatigue strength of weathered and deteriorated riveted members on bridges produced new information which will be used to determine the remaining life of bridge components.

Washington State University has proven that parallel computers can vastly increase the speed of processing large-scale transportation network optimization problems.

Dissemination of Research Results - The University Research Program has a very active technology sharing effort and disseminates a wide range of research results to transportation practitioners in the Department, state and local government, industry and academia. Technology transfer is accomplished by publishing reports, conducting seminars and workshops, linking key professionals, answering requests for sources and availability of material, fostering outreach programs, presenting papers at conferences, developing user manuals, furnishing material through practitioner mail lists and sharing ideas with other technology transfer programs.

COMMERCIAL SPACE TRANSPORTATION

SENATOR LAUTENBERG: You are requesting $3,075,000 -- an increase of $1.7 million, or 115% -- to support research and development of safety standards and licensing procedures for private commercial launches. Last year you indicated that you would be developing "generic," performance oriented safety standards for commercial space launches that would obviate the need for case-by-case review of private ELV proposals. This year you again propose a research program comprising such elements as: safety data acquisition and assessment, identification of critical safety issues, and safety standards options, etc. Does this effort entail original research or is it more a matter of reorganizing and restating knowledge that has already been developed in the conduct of the government's space activities?

ANSWER: The answer is both. When the data exists, our job is one of reorganization, restructuring and reinterpretation. When the data is lacking or inadequate, which is quite often, we conduct our own research.

The Commercial Space Launch Act directs the Department to protect public safety by issuing licenses and developing safety standards. During the past 40 years, the government designed its research to support the conduct of its own space program, not to regulate the independent space programs of the private sector. There are no safety standards that apply across the board to commercial launch activities or commercial launch site operations.

We rely heavily on NASA and Air Force data as a major source of information and, during the past 4 years, we have linked into virtually every existing government space safety database. This information is input into OCST's safety research program. Perhaps less than five percent of the data is directly applicable to DOT's regulatory mission. After the relevant information is identified, it still must be converted into a context appropriate

for regulatory actions. This involves one of two types of effort, both of which are time consuming and costly. One type of effort involves reorganization, analysis and reinterpretation of the data. An example includes OCST's use of existing orbital debris data to develop third-party insurance requirements. The other type of effort involves documenting information that exists but has not been recorded. For example, the qualification and training requirements for range safety officials at the national ranges have never been documented.

In other areas there has been no research performed at all by NASA or the Air Force because it was not necessary to perform their missions. The absence of this information tends to be the very area that DOT is tasked to regulate--public safety. For example, during the license reviews and insurance setting for commercial launches, we have required extensive information concerning public exposure, potential estimates of damage, and comparisons of hazards. This type of data simply does not exist, and DOT has been conducting the necessary research. In these instances, there is reverse flow of information where DOT is providing both NASA and the Air Force new data relevant to the safety of their operations.

SENATOR LAUTENBERG: For example, the Air Force and NASA surely must have a fairly good understanding by now of the "critical safety issues" inherent in every phase of space flight operations, don't they?

ANSWER: The Air Force and NASA have been concerned with the safety of their specific missions. While they were safely conducted, they did this by focusing on their launches on a case-by-case basis, balancing the risks of the flight versus the national need for the space activity. There are no existing universal standards that apply to all launches and to all ranges.

The Air Force and NASA's role in many launches was to serve as a launch service provider for other elements within their organizations or for other agencies. Their responsibility was to deliver the payload into orbit. The risks associated with the payload and subsequent events after orbital insertion were not their concern. Only occasionally did the Air Force or NASA examine the risks in orbit based on special circumstances. In these instances, risks were examined and evaluated on a case-by-case basis without defining safety standards.

DOT standards must cover multiple users over the entire flight profile. This includes the maneuvers conducted in orbit to place the payload in the desired orbit. It also must include

potential risks resulting from debris and upper stages reentering from orbit.

SENATOR LAUTENBERG: PL 100-202, the FY 1988 Continuing Resolution, provides $712,500 for commercial space contracts and funds up to 10 detailees from other space-related agencies for your office. What are you accomplishing with the $712,500 in the way of defining and resolving critical safety issues?

ANSWER: We are making progress in the identification and analysis of the issues important to the regulation of the commercial launch industry. Our biggest problem is the lack of adequate funding. DOT's goal was to address regulatory and safety issues before the emergence of the industry. Because our time table has had to be pushed back we are conducting research as the industry is taking off. For example, between December of 1988 and December 1989, 10 commercial launches are scheduled. Processing these license requests alone is going to severely stretch the resources of the department.

A Hazards Analysis of Commercial Space Transportation was recently completed which is valuable for the long term examination of the safety of launch activities. DOT issued the first license for a commercial launch. For example, in excess of $100,000 was required to support the extensive analysis required to issue this license. Similarly, approximately $260,000 was expended to support the research necessary to set third party insurance requirements for the launch because no other agency had adequate data to properly analyze the issue.

Many of the factors influencing public safety are not consistent between ranges. Much information, like range safety officer requirements and training, is not documented. The documentation of these factors is essential to implementing DOT's public safety mission. NASA and DOD have noted the uncertainty of risks associated with the hazards of reentering space debris and upper stages. This has delayed the processing of two mission reviews as we conduct research to determine the actual risks to the public resulting from objects returning to earth from orbit.

SENATOR LAUTENBERG: How many detailees have you acquired under this authority and what are their background and assignments?

ANSWER: We have no reimbursable detailees, however, DOT is presently using a non-reimburseable NASA detailee. The individual is quite capable and has been very helpful to both agencies. DOT has used detailees from the Air Force, NASA and the FAA but, as a general rule, the approach has proved not to be workable. Each agency's mission is

different. DOT does not operate or launch vehicles. When that expertise is required at various times, it is available through our contractors and points of contact with the appropriate agency. The impact of our regulatory authority on the industry requires that DOT have access to the most capable individuals and these types of individuals are typically not the type that an agency is willing to give up. Continuity is also a problem since it is very important in this context.

The assignment of liaisons by other agencies has proved to be very useful and we find this to be quite adequate.

SENATOR LAUTENBERG: Provide for the record a schedule of your safety standards research and development, including milestones and costs.

ANSWER: The schedule of research in safety standards is dependent on the availability of funding. Two contracts are planned for award at the end of FY 1988, Risk Management and Safety Analysis.

There is no consistency among the respective national ranges in terms of the type of equipment, operational procedures and personnel qualifications that provides a consistent basis for developing regulations governing commercial activities. These contracts will use the data that is being collected and documented on the critical safety factors affecting public safety.

In order to establish safety standards a number of tasks will have to be accomplished: 1) The influence of each factor with respect to its affect on public safety will be quantified. 2) The relationships between factors (e.g., tracking equipment and range safety procedures) will be examined. 3) Optional requirements will be developed that will insure that the public safety is maintained and, 4) cost analyses performed to determine that best set of standards.

During this process, consideration must be given to the ease of determining that a standard is, in fact, achieved. Standards are desirable for both the commercial launch companies applying for launch licenses, those interested in the development of commercial launch ranges and those proposing new payloads.

The focus of the development of standards is being dictated by events such as the announcements by Hawaii and Florida of their interests in commercial range operations and the amount of available funding.

The total funding to complete the entire process for license application, commercial ranges and payloads is expected to be approximately $3 million and the process will take a minimum of 2 years.

SENATOR LAUTENBERG: Provide for the record a list of your contracts, indicating the recipient, purpose/work product, completion date, and cost.

ANSWER: The contracts in place or anticipated for FY 1988 are listed in the table below.

FY 1988 Contracts

Company	Purpose/Work Product	Cost
Research Triangle*	Technical support in risk institute assessment, safety issues, and data collection	$560,000
Trans. Systems Cntr.	Analysis of on-orbit and reentry risks, hazards analysis report, inspections and enforcement procedures	$250,000
Blazetech* (8/88)	Comparative analysis of accidents in transportation modes with potential launch accidents	$40,000
Design Solutions* (9/88)	Assess requirements of document storage and retrieval system and support implementation	$40,000
Peer (9/89)	Consult on environmental issues	$10,000
Princeton Synergetics (6/88)	Insurance industry analysis	$25,000
Wilson and Moore (12/88)	Creation of database for industry forecasts and capabilities	$50,000
Not yet awarded+	Risk Management	$25,000
Not yet awarded*+	Safety Analysis	$25,000

*contract awarded through Transportation Systems Center
+this is a multi-year task based contract

SENATOR LAUTENBERG: Last year, you indicated that you expected to license 12 private launches in fiscal years 1987 and 1988. How many launches have you licensed to date?

ANSWER: The Office of Commercial Space Transportation issued its first license to Conatec on January 21, 1988. We have approved two mission review applications.

SENATOR LAUTENBERG: You also are requesting funds to develop safety procedures and standards for private or State and local space launch facilities. How many such facilities are there?

ANSWER: There are a growing number of initiatives in this area. Early this year the States of Hawaii and Florida announced their intent to develop commercial launch ranges and spaceports. Other U.S. States have announced their interest in developing these facilities.

Australia also is developing an international commercial launch facility which Martin Marietta has indicated it will support. The latter foreign initiative is important because DOT would license the U.S. commercial launches taking place from that site.

SENATOR LAUTENBERG: How many ELV's have been launched from non-Federal sites in the past 2 fiscal years?

ANSWER: No U.S. companies have launched from a non-Federal site in the past 2 fiscal years. Commercial launches will not be able to take place from commercially operated launch sites until DOT has established requirements governing their operation. Until DOT begins to identify the salient issues and defines the requirements for such operations, it will be very difficult for the launch site operators to plan their investments or design their facilities. Both the states of Hawaii and Florida have approached DOT requesting guidance concerning establishment of commercial spaceports. (In the past six years, there have been two demonstration flights by two separate private firms from non-Federal sites. These two episodes prompted Congress to enact the Commercial Space Launch Act which directs DOT to establish safety guidance for non-Federal sites.)

SENATOR LAUTENGERG: How many private launch sites do you project over the next 10 years?

ANSWER: It is difficult to say. This year, the states of Hawaii and Florida have pursued plans to create commercial space ports (launch sites). The Commonwealth of Virginia has been exploring the feasibility of establishing launch sites either at a Federal or non-Federal location dedicated to commercial launches. A private firm launched a demonstration flight from a non-Federal site in Texas in September 1982, followed two years later by a private launch off the California coast by another commercial firm. Australia is actively working on the development of an international commercial space port. Indonesia recently announced interest in establishing an international launch site.

Next year, there will be ten commercial launches, and the American public will see the commercial launch industry for the first time as a real provider of jobs, revenue and U. S. prestige. It is reasonable to expect that more state and local entities will express interest in linking their economies to the space future.

SENATOR LAUTENBERG: Where will they be located and what is their initial operational date?

ANSWER: Hawaii has selected Palima Point as its primary launch site location, and Kahilipali Point as its alternate. Hawaii has indicated that site construction could begin as soon as the environmental requirements are satisfied which would be in about two years.

Florida's Governor wants to open a facility as quickly as possible. A $500,000 implementation study is underway and is scheduled to be completed in about six months.

Australia has completed two phases of study and representatives of the Cape York spaceport activity have indicated that they may expend up to $10 million this year in design and implementation studies.

WORKING CAPITAL FUND

ADMINISTRATIVE COMPUTERS

SENATOR LAUTENBERG: Last year, we deferred funding for both the Transportation Computer Center computer upgrade and for FAA's administrative microcomputer acquisition. We also requested a report explaining how the administrative computer acquisition proposal by FAA and Coast Guard was to be coordinated with the TCC upgrade and assessing the feasibility of a "total services" approach to these procurements. That report was due on February 1, 1988. What is the status of the report?

ANSWER: The report was submitted April 13, 1988, and addressed the Department's mainframe administrative data processing requirements. It reflects the initiatives underway to ensure advance planning for ADP upgrades and adequate support for requirements. The proposed TCC upgrade, FAA/DOT CORN procurement, and the USCG DCS are not competing projects and do not result in duplicate resources. The TCC upgrade is designed to meet some of the anticipated DOT requirements between 1988 and 1991. CORN is expected to become available for general DOT use about 1991, and DCS is aimed at immediate USCG ADP needs for which large scale mainframe support is not cost-effective or does not represent the best technical solution.

SENATOR LAUTENBERG: Is the additional $151,000 you are requesting for the TCC computer upgrade based on the assessment we requested? If not, why not?

ANSWER: The additional $151,000 is consistent with the direction of the report submitted on April 13, 1988, which presented the management actions taken to ensure that the plans for ADP mainframe computing upgrades in the Department are sufficiently coordinated. The $151,000 represents the net increase of all equipment purchases for the WCF. The expenditures planned are to support the: 1) initial replacement of an office automation system which was purchased in 1984 with workstations (such as microcomputers that can function in a stand-alone mode or as an integral component of a system, local area networks, and table top laser printers, etc.) that more adequately satisfies the current and projected needs of the office

environment, 2) upgrade of TCC's front end processors to both increase the number of communication lines available to users of TCC mainframe services and upgrade the front end processors' operating system to improve overall performance, and 3) purchase of communication modems which serve as the link between the communication lines coming into the computer Center and the front end processor.

The changes to the TCC mainframe, front-end processors, and the communication modems are designed to meet some of the anticipated DOT requirements before 1991 when CORN should become available for general DOT use.

SENATOR LAUTENBERG: In your report on management and FMFIA deficiencies, you state that FAA has "initiated the Office Automation Technology and Services (OATS) project to facilitate the acquisition of automation equipment and services." How is the project related to the report we requested relative to administrative computer acquisitions?

ANSWER: The OATS project is for the acquisition and installation of stand alone workstations for office automation and field support activities and access to mainframe services. We understood that the report requested by the Committee was to deal with mainframe computing capacity. FAA's mainframe administrative computer acquisition project is referred to as the Computer Resource Nucleus (CORN). CORN is intended to provide contractor owned and operated mainframe computer facilities and services. Under certain circumstances, of course, these services could be accessed via telecommunications acquired through the OATS contract.

SENATOR LAUTENBERG: How is this FAA project consistent with the Committee's deletion of funding for administrative computer acquisition pending submission of the required report?

ANSWER: The Committee deleted all funds to upgrade TCC and to implement the FAA's ADP facilities management program. It was our understanding that the Committee's concerns focused on mainframe computing, i.e., TCC's equipment and FAA's CORN project, not OATS.

ESSENTIAL AIR SERVICE

SENATOR LAUTENBERG: You are proposing to terminate the Essential Air Service program. This program was just re-authorized last session, however.

What is your estimate of the costs of the EAS program under the new re-authorization?

ANSWER: The re-authorization of the EAS program extends the program for a 10-year period (FY 1989-1998). It largely codifies the existing program, but does require some increases in the minimum levels of service and has provisions for subsidizing enhanced levels of EAS and for adding communities that are not currently eligible to receive subsidized air service.

We estimate that the program to maintain the revised minimum levels of service at eligible communities will cost $40 million per year -- $12 million more than the estimated annual cost of the current program. The additional annual costs are as follows:

	(Millions)
Larger minimum aircraft size	$2.8
Pressurized aircraft	1.7
Reduction of intermediate stops	2.6
Load factor-related service increases	0.9
Change in hubs	1.5
Increased hold-in compensation/ emphasis on code-sharing arrangements	2.5
	$12.0

A number of communities have made inquiries about the provision for enhanced EAS and the addition of new eligible communities. We have no way of predicting the actual number of communities that will participate in these facets of the program since generally the communities are required to share the subsidy cost for enhanced EAS and air service to newly eligible communities. Based solely on the number of inquiries, however, the cost of these provisions could be significant.

OVERDUE REPORTS

SENATOR LAUTENBERG: Senate Report 100-198 accompanying H.R. 2890 (Fiscal Year 1988 Appropriations) called for the submission of some 25 reports from the Office of the Secretary and the various agencies within the Department. According to the status report provided by the Department on March 28, 1988, 8 of the 25 reports were overdue. What is the reason for the Department's inability to deliver these reports on time?

ANSWER: The primary reason a significant portion of the reports requested by the Senate Appropriations Committee were overdue is that the time allowed for their submission is often not commensurate with the time needed to collect data, conduct analyses, prepare the reports, and obtain the necessary clearances. In the last few months, the Secretary has placed special emphasis on eliminating the backlog of reports which are overdue to Congress, and major strides are being made toward that end. (Note: Only one of the reports required by Senate Report 100-198 were overdue as of April 27, 1988).

DATA BASES

SENATOR LAUTENBERG: GAO testified that the deficiencies in your aviation data base are a result of the abortive transfer of your Aviation Information Program to the Transportation System Center (TSC) in 1987. The TSC lacked the required expertise and so you had to bring the Aviation Information Program back to RSPA. By the time that happened, the data base experts here had been released or transferred. Is this true? Who is responsible for this fiasco? How much has it cost the Department to try to correct this mistake?

ANSWER: The GAO statement referred to by Mr. Kenneth Meade, is essentially correct; however, there were additional forces at work which forced the decisions made at that time. In 1986, RSPA was responding to a Congressional requirement to test the implementation of user fees and to explore contracting-out services, particularly for the AIM data collection and processing work. Since there was no time or funds for an A-76 evaluation, Washington staff and TSC put

together a plan to reduce the cost of the operation by transferring 21 people to TSC and charging users for the support of these people through the TSC working agreement system. The unfortunate result was that a number of the skilled people found work elsewhere rather than transfer to Boston and the timeliness and reliability of the data banks suffered because of the physical movement of the function and the necessity to employ new and inexperienced staff. At the same time, we were increasingly aware of a significant surge in aviation data requirements in all areas due to the deregulated environment and the rapidly growing usage of commercial aviation worldwide. Then in mid-1987, we became more involved in aviation consumer issues, particularly flight delays. This single issue created a data handling and processing workload that forced us to backlog many of the other aviation data banks so as to put our limited resources on the monthly consumer advisories. We do not anticipate any decrease in aviation data activity and the capability for quick response must be sustained. The overall budget for aviation data acquisition and processing for our regulatory responsibilities and for quick response programs has more than doubled over the past 9 months primarily as a result of increased workload and not because of the shift in responsibility.

COAST GUARD TRANSFER

SENATOR LAUTENBERG: The Coast Guard is also responsible for enforcing a wide variety of laws. Its role in drug interdiction is critical -- no doubt about that -- but it is also responsible for marine environmental protection, for protection of our fisheries, and for hazardous material enforcement. Do you have any concern about the support and attention these other law enforcement functions would receive in the Treasury Department?

ANSWER: Yes. The Commandant has, on several occasions, pointed out that about three-quarters of the Coast Guard missions are associated with transportation and the facilitation of commerce. So DOT is where the Coast Guard should be, but, that aside, a critical failing in the proposal to move Coast Guard to Treasury is the planned split between narcotics interdiction and all other Coast Guard missions.

With the avowed purpose of the legislation to enhance narcotics interdiction it is more than likely - it is probable - that Coast Guard's other law enforcement missions would lose ground in two ways. First, the current efficient and integrated use of Coast Guard capital assets to perform a variety of missions would be diminished, as those involved in narcotics interdiction under one assistant secretary would vie for the use of limited resources with those involved in other law enforcement activities under a different assistant secretary. Secondly, the future allocation of capital assets and operating resources would surely favor narcotics interdiction to the detriment of other missions.

The flexibility and economies of the present arrangement would fall victim to a kind of "king of the hill" competition which would have very serious implications for the long range integrity of the Coast Guard.

SENATOR LAUTENBERG: How would you assure effective coordination in hazardous materials enforcement between RSPA, other DOT agencies, and Coast Guard, were Coast Guard in Treasury?

ANSWER: Such coordination would become more burdensome and time- consuming, and would require more staff effort to assure the same level of effectiveness. Obviously, having all of the agencies in the same Department encourages early coordination and facilitates resolution of problems that arise.

SENATOR LAUTENBERG: What about marine environmental protection? Would enforcement against illegal dumping, plastic pollution, and illegal oil and chemical discharges receive the proper emphasis in Treasury?

ANSWER: The Department of Transportation has no reason to question that Treasury would fulfill its obligation to carry out any laws or programs assigned to it. However, we would expect disruption in the currently smooth operation of the program, at least until the new organization fell completely into place.

SENATOR LAUTENBERG: Does Treasury have any expertise or experience in these areas?

ANSWER: There is no reason why Treasury would currently need or have the requisite expertise or experience in these areas, but we have no way of determining what level of expertise actually exists.

QUESTIONS SUBMITTED BY SENATOR D'AMATO

EAS PROGRAM

SENATOR D'AMATO: Why is the Department proposing to end the Essential Air Service (EAS) program?

ANSWER: We continue to believe that the EAS program has outlived its usefulness. The air transportation system has adjusted to a deregulated environment, and communities no longer need to depend on Federal government intervention to provide an adequate level of service. In formulating the FY 1989 budget request, it became clearly apparent that Federal subsidy of airline travel for those who use EAS service should not displace more serious needs of national importance that are at risk in the continuing battle to reduce deficits. Overall, the number of people benefiting from the EAS program is extremely small. Passengers at most of the subsidized communities would continue to be accommodated, either by service at other nearby communities or by lower levels of unsubsidized service at the local airport. At many communities the subsidy being paid by the Federal government is greater than the fare being paid by the passenger. Particularly disturbing is the fact that many of the communities with the highest per passenger subsidy are the ones closest to alternative air service.

SENATOR D'AMATO: How will the many small communities served by this program secure reasonably priced air service without it?

ANSWER: In general, experience in the Essential Air Service (EAS) program has shown that the threshhold for self-sufficient air service is approximately 20 enplaning passengers per day. Below that level, the ability of a community to retain some level of service depends on how far its traffic is below the threshhold and whether other factors would encourage continued service. For example, if traffic is close to this level, a carrier might be able to maintain some level of service at the community if the service could be efficiently operated as part of a linear route serving another nearby community. In some instances, the current level of required EAS is more than is necessary to accommodate traffic, as in the case with some communities that receive service to two hubs. Thus, it is possible that a community might continue to receive air service either at a lower level than its current EAS or in a different service pattern in conjunction with service to other communities.

Communities that generate very low levels of traffic or are reasonably close to alternative air service would probably lose their scheduled air service. Of the 104 communities in the 49 states, excluding Alaska, that are currently receiving subsidized service or will be very shortly (one previously unsubsidized community has a subsidy case pending), we estimate that 73 would probably lose air service. Of the 73, 44 are enplaning five or fewer passengers per day and 31 are within 75 miles of another community with air service.

SUBCOMMITTEE RECESS

Senator LAUTENBERG. Thank you all very much. That adjourns this hearing.

We're going to be meeting again on April 27. We're going to take up budget requests for the Urban Mass Transportation Administration and the Washington Metropolitan Area Transit Authority.

[Whereupon, at 11:33 a.m., Thursday, April 21, the subcommittee was recessed, to reconvene at 2 p.m., Wednesday, April 27.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1989

WEDNESDAY, APRIL 27, 1988

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:09 p.m., in room SD–192, Dirksen Senate Office Building, Hon. Frank R. Lautenberg, (chairman) presiding.

Present: Senators Lautenberg, Kasten, D'Amato, and Mikulski.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

STATEMENT OF ALFRED A. DELLIBOVI, ADMINISTRATOR

ACCOMPANIED BY:

MATTHEW M. WIRGAU, DEPUTY ADMINISTRATOR
EDWARD J. BABBITT, CHIEF COUNSEL
BRIEN G. BENSON, ASSOCIATE ADMINISTRATOR FOR BUDGET AND POLICY
ROBERT H. McMANUS, ASSOCIATE ADMINISTRATOR FOR GRANTS MANAGEMENT

OPENING REMARKS

Senator LAUTENBERG. I would like to call the subcommittee hearing to order and to apologize for the late start. I am usually pretty good on these things, but the schedule got overloaded and transit does not get enough support, so therefore, the train arrived late.

Today the subcommittee is going to be hearing from Al DelliBovi. the Administrator of the Urban Mass Transit Administration. We welcome him. And we will thereafter be hearing from Carmen Turner, who is the General Manager of the Washington Metropolitan Area Transit Authority.

The administration has proposed a radical restructure of the federal transit program, and in the process, reduces federal spending for transit by 53 percent. The proposal turns its back on the Surface Transportation Assistance Act of 1987 which became law on April 2, barely a year ago. And I might add that it only became law because Congress

was able to override the President's veto and enact legislation vital to the country's infrastructure transportation needs.

Notwithstanding the administration's position, I am confident that the Congress is going to once again do what is right. And I am interested in a number of areas, including UMTA's public-private partnership, the growing number of New Start requests, and using the surplus that exists in the Mass Transit Trust Fund.

First we will hear from Mr. DelliBovi, and after examining his budget request, we are going to ask Ms. Turner to join him at the table to discuss Metro's requested funding.

Now for Ms. Turner, in face of the administration's proposal to cut funding for her Agency by 29 percent, is asking for an increase of 23 percent over the fiscal year 1988 level. Now I do not believe there is enough in the transportation budget to support that level of funding; but we will give Ms. Turner and her system every consideration.

The point to be made here is that there are a number of communities around the country, a number of states, that desperately need help with mass transit projects. So, we welcome you here and before we hear from our witnesses, I will ask the distinguished ranking minority member, Senator D'Amato for his statement.

STATEMENT OF HON. ALFONSE M. D'AMATO, U.S. SENATOR FROM NEW YORK

Senator D'AMATO. Well, thank you, Mr. Chairman and I certainly join with you in welcoming Al DelliBovi, our Administrator of UMTA, and Carmen Turner, the General Manager of WMATA to this hearing. I am looking forward to hearing the details of their fiscal year 1989 budget proposals.

As I have said previously, Mr. Chairman, the administration's unrealistic plan to cut $1.7 billion from mass transit is poor transportation planning. Only $1.5 billion is proposed for transit in fiscal year 1989; $1.4 billion from the 1 penny of federal gas tax set aside for transit, and $128 million in general funds for Washington Metro. That is a cut of $52.5 million from its current level of $180.5 million.

Now in addition, the separate program for interstate transfer grants for transit would be deleted. That is a cut of $123.5 million. Transit and highway trade-in projects would be funded out of the same total pot of $600 million. For fiscal year 1988, $600 million was appropriated only for highway trade-in projects.

Get the magnitude of this: $600 million just for the highway trade-in and they would reduce these programs so that you would, in essence, really have no trade-in. The value of the best-way trade-in, which is not keyed to inflation, would be further reduced by this proposal. It would take many, many, many more years for New York City to get money which it has already paid into the system and that they are entitled to.

Under the proposed budget, federal transit grants would be available only for formula capital grants, or operating aid for cities under 200,000 in population. The discretionary grants program, New Starts, rail mod-

ernization and bus, would be terminated. In addition, local share on federal transit grants would be increased from 25 percent to 50 percent.

The cuts proposed for transit, Mr. Chairman, are intended to help pay for the $1.2 billion in increases requested for other programs such as the FAA and Coast Guard. In order to effect the program changes required by this budget proposal, Congress would need to enact new authorizing legislation that was firmly rejected last year.

Mr. Chairman, we need to craft a sounder plan for funding mass transit in fiscal year 1989. Mr. Chairman, let me also say to you that I have come to the conclusion that the Coast Guard should not be under the transit people; it should not be operated as it is. It is used as a political football. The administration will fully fund it and put in more moneys while, at the same time, sending up a proposal under the same budget lines, or same budget area, which calls for massive cuts as they have done in this case. Or they may eliminate Amtrak altogether, for example, thereby placing this committee in the position of having to restore funding for all of these programs and the resultant cuts to the Coast Guard and to their effectiveness.

It certainly is a vicious, dangerous budgeteering game which they are playing. It is one that certainly makes a mockery of the war on drugs. We see the Coast Guard today sidetracked with 55 percent in some of the cases of their antidrug effort. I really do believe that we would be less apt to be placed in this position by future administrations if we were to see to it that the Coast Guard was placed under the jurisdiction of the Treasury Department, which it once functioned under.

It would make sense in terms of eliminating this deadly dance of the OMB, where they totally wipe out programs that they know we are going to have to restore and then turn to, again the beleaguered Coast Guard for those funds.

Second, on the operational side, I think it would do much to have the same jurisdiction as it relates to the workings of the Customs Service, which comes under the Treasury people, and the Coast Guard placed in unison. They are so closely cooperative in this war on drugs that they should be. And I think that would give them a better command.

I make mention of this, Mr. Chairman, because I believe it is something that in time we should focus on: First, preserve at least minimum funding for mass transit; and second, get a better operation as it relates to the Coast Guard.

Thank you, Mr. Chairman.

Senator LAUTENBERG. Senator Kasten.

STATEMENT OF HON. ROBERT W. KASTEN, JR., U.S. SENATOR FROM WISCONSIN

Senator KASTEN. Mr. Chairman, thank you. We are here to hear the testimony of our witnesses today as this committee struggles with the tradeoffs that have to be made on the funding of those programs under our jurisdiction. However, the significant cuts proposed for UMTA are

sure to be much of the focus here today. I do not believe the cuts we enact will be reproposed by the administration. I think we are going to be restoring some funds. But there are significant other programs under our jurisdiction, like the FAA and the Coast Guard, which we also have to look carefully to and that we have to fund adequately.

I am pleased to see that the rural program funds were increased slightly under the administration proposal. We also have been concerned about operating assistance funding in the past, and continue to be for such cities as Milwaukee and others in Wisconsin. I look forward to the testimony today and Mr. Chairman, I look forward to working with you as we try to balance off and craft this legislation which I believe will be significantly different from what the administration says. But we still have a tough time in terms of tradeoffs and budget requirements.

Senator LAUTENBERG. Thank you very much, Senator Kasten. Suffice to say that the nature of our concern transcends partisanship as we seek to maintain programs that we think are essential to the way our country functions.

I would have to say on Coast Guard issues, just in quick response to my distinguished colleague across the river, that I think it would be a disaster to take Coast Guard away from Transportation because so much of its function relates to marine transportation, to the supervision of navigation aids, of certificates of management of the seaways. So much of their budget concerns environmental pollution. Frankly, there is no single home that is anywhere near perfect, but in terms of being a good place, I think Coast Guard belongs exactly where it is.

And in my discussions with the Coast Guard, there is a question of whether or not they would be submerged, to use their expression, into the Treasury, and then watch the skills that they have developed over some period of time and the network they have structured to interrupt the drug flow—watch it take a back seat if they were moved over to Treasury.

Maybe the drug fighting function ought to be moved over to Treasury but the Coast Guard left where it is. I do not think the Coast Guard would agree with that, because they are as concerned about the drug plague that is invading our country as are any of us here at the table. So, while I agree with Senator D'Amato on many things, I respectfully register my disagreement with this statement.

Now, Mr. DelliBovi, since you had a chance to observe our review of the Coast Guard, we would ask for your view of transit and we would like to hear from you. And we hope that you will be able to keep your testimony short, but we want to hear the full content essentially, of what it is that you have to say.

STATEMENT OF ALFRED A. DELLIBOVI

Mr. DELLIBOVI. Thank you, Mr. Chairman, Senator D'Amato, and Senator Kasten. I very much appreciate the opportunity to appear before you today to present our 1989 budget request and to share with

you my perspective on the federal transit program. And I want to thank you first, for allowing me to submit a full written statement for the record; I will just try and summarize that statement briefly here.

I would like to begin by introducing the witnesses who are here with me. There's one old face, or one face who has been here before.

Senator LAUTENBERG. Just a minute. You are in contempt of the chairman. [Laughter.]

Mr. DELLIBOVI. On this side is Bob McManus, on your far right and my far left. So we are bipartisan; it depends on how you look at it. Bob is our Associate Administrator for Grants Management and has been with the Urban Mass Transportation Administration since we came to the Department of Transportation from HUD in 1968.

And between us here is our new Chief Counsel, Mr. Ed Babbitt, who comes to us from the State of Ohio. He previously served in the Department of Transportation. On my right, is the new Deputy Administrator, Matt Wirgau, from Michigan. And to his right, is our new Associate Administrator for Budget and Policy, Brien Benson, from California.

UMTA'S PROPOSED FISCAL YEAR 1989 BUDGET

Briefly, the administration's $1.5 billion budget proposal would be entirely derived from the revenue from the 1-cent gas tax for transit as has been observed. This does represent a substantial change in the structure of the program, but one which we believe more appropriately reflects our view of the federal government's new responsibilities. Significantly, this budget proposal preserves capital formula assistance, which is the central component of the UMTA program. In fact, the budget would actually increase formula assistance by about 13 percent.

We believe the funding levels proposed in the budget are adequate for addressing all known cost effective projects. The proposal would permit over $1 billion in bus and bus-related projects at a 50-percent share, and still leave enough money to support over $1 billion in rail modernization activities. This is considerably greater than the need established in our rail modernization study, which determined a $900 million annual cost for those segments serving 85 percent of the passenger-miles. These cost-effective projects could all be undertaken.

RURAL TRANSIT ASSISTANCE PROGRAM [RTAP]

Significantly, while we are proposing a minor increase for funding of UMTA's Rural Transit Assistance Program, as Senator Kasten noticed, the relatively short history of this program and our involvement shows us how important adequate transportation is to those who live in isolated areas.

And in that regard, I want to mention a comment made by the Hon. Mr. Lehman last month in the other chamber. He suggested that the word "urban" might properly be dropped from the name of our agency. I responded that we could justifiably drop both the word "urban" and the word "transportation," arguing that the real question is one of mobility. Mobility is just as much an issue in rural areas and sub-

urban areas as it is in urban areas, and mobility is not necessarily provided by transit.

BUDGET JUSTIFICATION

We have provided the subcommittee with a detailed justification for our budget request, which recognizes the reality of the federal budget squeeze and maintains the commitment made in 1982 to dedicate 1 cent of the federal gas tax to transit. It uses these funds in a deficit-neutral fashion, and in a manner that returns some of the revenues collected from each state to each state, and from both urban and rural areas to both urban and rural areas.

We have reached the point where we have no choice but to prioritize. At a time, for example, when education is at the top of the public agenda, transit busdrivers are paid 28 percent more than public schoolteachers. At a time when health issues have moved front and center, transit busdrivers are paid 35 percent more than medical laboratory technicians, and more than nurses, physical therapists, and hospital maintenance electricians.

We recognize that the economic growth during the nearly 8 years of the Reagan administration has improved the financial position of state and local governments. And, as a result, state tax receipts have grown by more than 50 percent, an increase of about $140 billion. Local tax receipts have increased at about the same rate, growing by more than $120 billion during the Reagan years.

States have used some of this windfall to support transit, adding $4 billion for transit during the Reagan administration. But they could easily do more, since state surpluses have grown from $21.6 billion to $35.4 billion during the same period.

Local governments have also added nearly $4 billion to their annual support of transit. They are also in an excellent position to further increase their support, since their surpluses have grown from $5.2 billion to $21.5 billion. State and local governments are best able to judge and respond to local needs. They are best able to control the cost of transit. And now, thanks to the economic progress this country has made during the Reagan administration, they are also able to finance transit.

NEW STARTS PROGRAM

Mr. Chairman, I reiterate, we are proposing to conclude the discretionary New Starts Program. If, however, Congress should decide to continue it and in view of the state and local budget surpluses, now may be the time to mandate a greater minimum nonfederal share of the costs.

At the present time, 34 separate projects with a projected total cost of $10 billion are in the New Starts pipeline. And another 26 cities are waiting in the wings. As a matter of fact, yesterday I got wind that there is a 27th on the side.

With the New Starts appropriation of about $400 million a year, it would take a quarter of a century just to fund the projects that are already in that pipeline. Doubling the local match to a minimum of 50

percent, would increase the likelihood that marginal projects would be eliminated and that only the truly cost effective ones would be proposed. An added benefit would be doubling the leverage of the scarce federal dollars.

PROJECT CLOSEOUTS

I want to point out before I close, that UMTA has contractual relationships today with 904 grantees for about 6,000 grants, and that represents more than $30 billion. Some of those grants, I am sad to say, are old enough to vote. I am troubled by specific projects which have seen no disbursements for many years and no indication that contracts to even do the work have ever been advertised or awarded. A total of $5.7 billion in UMTA grant funds has not been put under contract by our grantees. And that means it is not going to benefit the straphangers for whose benefit it was appropriated by the Congress, and in most cases was obligated by UMTA.

Accordingly, we have undertaken an effort to review old or inactive projects in order to recover that languishing money for use on other projects. In the past year, we have closed out over 1,200 projects with more than $35 million being recovered. For this year, we have targeted about 1,500 projects for potential closeout and deobligation so that as much as another $100 million can be reobligated for worthwhile transit projects. We will continue to work closely with our grantees to identify additional funds that can be made available for reallocation to areas and projects where they are truly needed.

All of us at UMTA are committed to the notion that mobility helped make America great and that by using our creativity and imagination, we can keep that advantage.

Thank you. I will be happy to respond to your questions.

PREPARED STATEMENT

Senator LAUTENBERG. Thank you very much Mr. DelliBovi. We have your complete statement and it will be made part of the record.

[The statement follows:]

STATEMENT OF ALFRED A. DELLIBOVI

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE, I VERY MUCH APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY TO PRESENT THE ADMINISTRATION'S FISCAL YEAR 1989 BUDGET REQUEST AND TO SHARE WITH YOU MY PERSPECTIVE ON THE FEDERAL TRANSIT PROGRAM. LET ME THANK YOU, FIRST, FOR ALLOWING ME TO SUBMIT A STATEMENT FOR THE RECORD AND TO OFFER THESE REMARKS.

WE GATHER TODAY AGAINST A BACKDROP OF CHANGE IN THE TRANSIT INDUSTRY. IF WE ARE TO SUCCESSFULLY MANAGE THAT CHANGE -- AND WE ALL AGREE THAT WE MUST -- IT SEEMS TO ME THAT THE TRANSIT RIDERS OF AMERICA SHOULD BE OUR FIRST PRIORITY. AND, TO ADDRESS THEIR NEEDS, WE MUST BE CREATIVE AND INNOVATIVE.

THOSE TWO WORDS HAVE BEEN HEARD AGAIN AND AGAIN IN THIS DAY AND AGE AS WE CHALLENGE OURSELVES TO DO MORE WITH LESS. HOW DO WE STRUCTURE A FEDERAL PROGRAM FOR MASS TRANSIT, COGNIZANT OF BUDGET CONSTRAINTS, WHICH BEST SERVES THE PEOPLE WHO USE OUR TRANSIT SYSTEMS? I BELIEVE THIS BUDGET PROPOSAL AND A NUMBER OF CRITICAL UMTA PROGRAM CHANGES ALREADY IN PLACE ANSWER THAT BASIC QUESTION.

HERE AT THE OUTSET, LET ME SHARE A BIT OF MY OWN VISION OF MASS TRANSIT AND HOW IT CAN RESPOND POSITIVELY TO CHANGE.

FIRST, THE UMTA PROGRAM ADVANCED BY OUR ADMINISTRATION HAS SERVED TO RE-DEFINE SOME OLD, OUT-DATED TERMS. FOR INSTANCE, THE TERM "TRANSIT ADVOCATE," ONCE USED TO DEFINE ONE WHO CAME INTO THESE HALLS WANTING MORE MONEY, NO LONGER APPLIES.

I AM A TRANSIT ADVOCATE, AND MY PURPOSE IS NOT TO DEMAND MORE FUNDING. I BELIEVE TODAY'S REAL TRANSIT ADVOCATE MAKES THE PROGRAM WORK BETTER. HE SEES THAT EVERY DOLLAR IS WISELY SPENT. HE ENSURES GOOD MANAGEMENT PRACTICES AND HE GUARANTEES THAT FUNDS ARE DISBURSED IN AN ORDERLY SYSTEMATIC WAY.

THE VISIONARIES IN MASS TRANSIT ARE THE PEOPLE WHO FORGE THE BEST ELEMENTS OF THE PUBLIC AND PRIVATE SECTORS INTO A NATURAL PARTNERSHIP. THEY RESPOND TO A CHANGING MARKETPLACE WITH FLEXIBILITY. THEY ENCOURAGE JOINT FINANCING AND JOINT DEVELOPMENT AS EFFECTIVE, EFFICIENT OPTIONS.

MOST OF ALL, THESE ARE THE PEOPLE WHO CREATE AND NURTURE MASS TRANSIT SYSTEMS WHICH TAKE PEOPLE FROM WHERE THEY ARE . . TO WHERE THEY WANT TO GO . . . WHEN THEY WANT TO GO THERE . . . AT A PRICE THEY CAN AFFORD.

AND THESE ARE THE ELEMENTS, I SUBMIT, OF TODAY'S UMTA PROGRAM.

BRIEFLY, THE ADMINISTRATION SEEKS $1.5 BILLION IN BUDGET AUTHORITY FOR THE COMING FISCAL YEAR, NEARLY ALL DERIVED FROM REVENUE COLLECTED BY THE ONE-CENT GAS TAX FOR TRANSIT. THIS REPRESENTS A SUBSTANTIAL CHANGE IN THE STRUCTURE OF THE PROGRAM, BUT ONE WHICH MORE APPROPRIATELY REFLECTS OUR VIEW OF THE FEDERAL GOVERNMENT'S NEW RESPONSIBILITIES. SIGNIFICANTLY, THIS BUDGET PROPOSAL PRESERVES FORMULA CAPITAL ASSISTANCE, WHICH IS THE CENTRAL COMPONENT OF THE UMTA PROGRAM. IN FACT, THIS BUDGET PROPOSAL INCREASES FORMULA CAPITAL ASSISTANCE BY 13 PERCENT.

OUR PROPOSAL WOULD CONTINUE TO PROVIDE CAPITAL ASSISTANCE FOR REPLACEMENT AND REHABILITATION PROJECTS, SUPPORT EXISTING TRANSIT CAPITAL IMPROVEMENT PROJECTS, AND FUND OPERATING ASSISTANCE FOR RURAL AND URBANIZED AREAS WITH POPULATIONS OF LESS THAN 200,000. WE WOULD ELIMINATE OPERATING ASSISTANCE FOR LARGER URBANIZED AREAS, CONCLUDE THE WASTEFUL DISCRETIONARY NEW STARTS PROGRAM AND TERMINATE DISCRETIONARY RAIL MODERNIZATION IN FAVOR OF FUNDING THROUGH THE CAPITAL FORMULA PROGRAM.

NONE OF US CAN, IN GOOD CONSCIENCE, CONTINUE TO TOLERATE WASTEFUL SPENDING ON UNJUSTIFIABLE PROJECTS. MANY CAPITAL INVESTMENTS WHICH HAVE BEEN MADE HAVE NOT RESULTED IN IMPROVEMENTS IN MARKET SHARE. FOR EXAMPLE, NEARLY A QUARTER BILLION DOLLARS WAS SPENT ON THE PORTLAND LIGHT RAIL LINE FOR AN "IMPROVEMENT" THAT ATTRACTED ONLY 3,000 NEW SYSTEM PATRONS, FROM A REGIONAL POPULATION OF OVER 1,000,000. IN OTHER PLACES SUCH AS BUFFALO, WE HAVE MADE MAJOR RAIL INVESTMENTS ONLY TO FIND THAT TOTAL TRANSIT RIDERSHIP HAS ACTUALLY DECLINED. SUCH RESULTS PROVE THAT THE SUN MUST SET ON FEDERAL INVOLVEMENT IN "NEW STARTS" PROJECTS.

I WOULD LIKE TO AMPLIFY THIS POINT -- THAT SOME OF OUR MAJOR TRANSIT PROJECTS DO NOT INCREASE THE MOBILITY OF OUR CITIZENS -- BY REFERENCE TO A LETTER I RECENTLY RECEIVED FROM MS. BARBARA M. CAREY, A COUNTY COMMISSIONER FOR METROPOLITAN DADE COUNTY WHICH ENCOMPASSES MIAMI. I QUOTE: "DISCONTENT OVER THE SHORTAGE OF BUSES, AND A PERCEIVED FAVORITISM OF METRORAIL AND METROMOVER, ARE CREATING A SCHISM IN OUR COMMUNITY. THIS DIVISION TENDS TO RUN ALONG RACE, CLASS, AND ETHNIC LINES. MIDDLE-CLASS DADE TENDS TO USE THE RAIL, WHILE WORKING-CLASS MIAMI IS RELEGATED TO THE BUS SYSTEM. DADE CANNOT AFFORT TO ALLOW THE BUS SYSTEM TO DETERIORATE AT THE EXPENSE OF ENHANCING AND EXPANDING THE RAIL AND MOVER SYSTEM WHILE IGNORING THE CRYING NEED OF INCREASING AND IMPROVING THE BUS SERVICE."

MS. CAREY HAS SEEN THE TRUE RESULTS OF THE HEAVY RAIL SYSTEM. IN ORDER TO FUND THEIR NEW SYSTEM THAT TRANSPORTS RELATIVELY FEW PEOPLE, MIAMI HAS HAD TO CURTAIL ITS BUS OPERATIONS. DESPITE THE RAIL SYSTEM'S BEING PLACED INTO OPERATION AND THE BUS ROUTES' BEING REARRANGED IN ORDER TO FEED THE RAIL LINE, RIDERSHIP IN MIAMI HAS FALLEN FROM 77.1 MILLION TRANSIT TRIPS IN 1981 TO ONLY 67.3 MILLION TRIPS IN 1986, ALMOST A 10 MILLION DROP. AFTER A ONE BILLION DOLLAR INVESTMENT IN A SLEEK, NEW RAIL SYSTEM, THE

MOBILITY OF THE PEOPLE IN MIAMI, ESPECIALLY THE TRANSIT DEPENDENT, HAS BEEN REDUCED, NOT IMPROVED.

IT IS NOTABLE THAT A MEMBER OF THE VERY BOARD OF COUNTY COMMISSIONERS THAT APPROVED THE HEAVY RAIL SYSTEM NOW WRITES TO ME ABOUT THE RESULTANT LOSS OF BUS SERVICE FOR THE WORKING CLASS. THIS MIAMI EXPERIENCE HIGHLIGHTS THE VERY POINT THAT I HAVE BEEN TRYING TO MAKE: THE TRUE TRANSIT ADVOCATE IS INTERESTED IN IMPROVING THE MOBILITY OF OUR CITIZENS, NOT IN BUILDING A MONUMENT TO MASS TRANSIT.

THE FUNDING LEVELS PROPOSED IN THIS BUDGET REQUEST ARE ADEQUATE FOR ADDRESSING ALL KNOWN COST-EFFECTIVE PROJECTS. IT WOULD PERMIT OVER $1 BILLION IN BUS AND BUS-RELATED PROJECTS AND, AT 50 PERCENT FEDERAL SHARE, STILL LEAVE ENOUGH TO SUPPORT ALMOST $1.1 BILLION IN RAIL MODERNIZATION ACTIVITIES. THIS IS CONSIDERABLY GREATER THAN THE NEED ESTABLISHED IN OUR RAIL MODERNIZATION STUDY, WHICH DETERMINED A $900 MILLION ANNUAL COST FOR THOSE SEGMENTS SERVING 85 PERCENT OF THE PASSENGER MILES. THESE COST-EFFECTIVE PROJECTS COULD ALL BE UNDERTAKEN.

SIGNIFICANTLY, WE ARE PROPOSING A MINOR INCREASE OF FUNDING FOR UMTA'S RURAL ASSISTANCE PROGRAM, IN SPITE OF A GENERALLY REDUCED FUNDING REQUEST. IN THE RELATIVELY SHORT HISTORY OF UMTA'S INVOLVEMENT IN RURAL TRANSIT, WE HAVE SEEN HOW IMPORTANT ADEQUATE TRANSPORTATION IS TO THOSE WHO LIVE IN ISOLATED AREAS.

IN THIS REGARD, I MUST MENTION A COMMENT MADE BY THE HONORABLE MR. LEHMAN LAST MONTH IN THE OTHER CHAMBER. HE SUGGESTED THAT THE WORD "URBAN" MIGHT PROPERLY BE DROPPED FROM THE NAME OF THIS AGENCY. I RESPONDED THAT WE COULD JUSTIFIABLY DROP BOTH THE WORD "URBAN" AND THE WORD "TRANSIT," ARGUING THAT THE REAL QUESTION IS THAT OF MOBILITY. MOBILITY IS JUST AS MUCH AN

ISSUE IN RURAL AND SUBURBAN AREAS AS IT IS IN URBAN AREAS, AND MOBILITY IS NOT NECESARILY PROVIDED BY TRANSIT.

WE HAVE PROVIDED THE SUBCOMMITTEE WITH A DETAILED JUSTIFICATION FOR OUR BUDGET REQUEST, WHICH RECOGNIZES THE REALITY OF THE FEDERAL BUDGET SQUEEZE AND MAINTAINS THE COMMITMENT MADE IN 1982 TO DEDICATE ONE CENT OF THE FEDERAL GAS TAX FOR TRANSIT. IT USES THESE FUNDS IN A DEFICIT-NEUTRAL FASHION, AND IN A MANNER THAT RETURNS SOME OF THE REVENUES COLLECTED FROM EACH STATE TO EACH STATE, AND FROM BOTH URBAN AND RURAL AREAS TO BOTH URBAN AND RURAL AREAS.

WE HAVE REACHED THE POINT WHERE WE HAVE NO CHOICE BUT TO PRIORITIZE. AT A TIME, FOR EXAMPLE, WHEN EDUCATION IS AT THE TOP OF THE AGENDA, TRANSIT BUS DRIVERS ARE PAID 28 PERCENT MORE THAN PUBLIC SCHOOL TEACHERS. AT A TIME WHEN HEALTH ISSUES HAVE MOVED FRONT AND CENTER, TRANSIT BUS DRIVERS ARE PAID 35 PERCENT MORE THAN MEDICAL LABORATORY TECHNICIANS, AND MORE THAN NURSES, PHYSICAL THERAPISTS AND HOSPITAL MAINTENANCE ELECTRICIANS.

PROBLEMS OF BLOATED PAYROLLS, STEADILY INCREASING CONGESTION IN SUBURBAN AREAS AND TRANSIT'S DRAMATIC LOSS OF MARKET SHARE, HAVE LED UMTA AND OTHERS TO REEVALUATE THE ROLES OF ALL LEVELS OF GOVERNMENT -- LOCAL, STATE, AND FEDERAL -- AND TO REEVALUATE THE POTENTIAL ROLE OF THE PRIVATE SECTOR IN ADDRESSING OUR PUBLIC TRANSPORTATION PROBLEMS.

OUR FIRST REALIZATION WAS THAT SIMPLY RETURNING TRANSIT TO THE PRIVATE SECTOR WAS <u>NOT</u> THE ANSWER. THE OPERATIVE WORD IN UMTA'S CURRENT PROGRAM AND POLICIES IS "COMPETITION", NOT "PRIVATIZATION." WE HAVE DISCOVERED THAT, IN CONJUNCTION WITH THE PUBLIC SECTOR, A RICH AND VARIED ROLE EXISTS FOR THE PRIVATE SECTOR IN TRANSIT -- ONE WHICH PROMISES TO IMPROVE SERVICE AND LOWER COSTS AND SUBSIDY REQUIREMENTS.

ECONOMIC GROWTH DURING THE NEARLY EIGHT YEARS OF THE REAGAN ADMINISTRATION HAS IMPROVED THE FINANCIAL POSITION OF STATE AND LOCAL GOVERNMENTS. AS A RESULT, STATE TAX RECEIPTS HAVE GROWN BY MORE THAN 50 PERCENT, AN INCREASE OF $140 BILLION. LOCAL TAX RECEIPTS HAVE INCREASED AT ABOUT THE SAME RATE, GROWING BY MORE THAN $120 BILLION DURING THE REAGAN YEARS. STATES HAVE USED SOME OF THIS WINDFALL TO SUPPORT TRANSIT, ADDING $4 BILLION FOR TRANSIT DURING THE REAGAN ADMINISTRATION. BUT THEY COULD EASILY DO MORE, SINCE STATE SURPLUSES HAVE GROWN FROM $21.6 BILLION TO $35.4 BILLION DURING THE PERIOD.

LOCAL GOVERNMENTS HAVE ALSO ADDED NEARLY $4 BILLION TO THEIR ANNUAL SUPPORT OF TRANSIT.. THEY ARE ALSO IN AN EXCELLENT POSITION TO FURTHER INCREASE THEIR SUPPORT, SINCE THEIR SURPLUSES HAVE GROWN FROM $5.2 BILLION TO $21.5 BILLION.

STATE AND LOCAL GOVERNMENTS ARE BEST ABLE TO JUDGE AND RESPOND TO LOCAL TRANSIT NEEDS. THEY ARE BEST ABLE TO CONTROL THE COSTS OF TRANSIT. NOW, THANKS TO THE ECONOMIC PROGRESS THE COUNTRY HAS MADE DURING THIS ADMINISTRATION, THEY ARE ALSO ABLE TO FINANCE TRANSIT.

BY INCREASING RELIANCE ON LOCAL DECISION-MAKERS AND THE PRIVATE SECTOR, WE AT UMTA ARE STRIVING TO ACHIEVE A PARTICULAR GOAL: MINIMIZING PUBLIC TRANSIT COSTS AND SUBSIDY REQUIREMENTS, WHILE MAXIMIZING TRANSIT SERVICE. WE BELIEVE THIS CAN BE ACCOMPLISHED THROUGH GREATER SERVICE FLEXIBILITY, INCREASED USE OF NON-PUBLIC RESOURCES, AND GREATER RELIANCE ON NORMAL MARKET FORCES TO LOWER COSTS AND OFFER BETTER SERVICE.

WE HAVE UNDERTAKEN SEVERAL INITIATIVES WITHIN THE LAST FEW MONTHS IN THIS REGARD, WHICH I WOULD LIKE TO OUTLINE FOR YOU:

THE ENTREPRENEURIAL SERVICES PROGRAM IS AT THE TOP OF THE LIST. THE PURPOSE OF THIS PROGRAM IS TO ENHANCE MOBILITY BY ENCOURAGING INNOVATION BY SMALL BUSINESSES, WORKING IN PARTNERSHIP WITH PUBLIC AND COMMUNITY AGENCIES. UMTA OFFERS UP-FRONT SEED MONEY FOR NEW AND IMPROVED TRANSIT SERVICES, OPENING THE DOOR TO ENTREPRENEURS, SMALL BUSINESSES, MINORITY AND ECONOMICALLY DISADVANTAGED GROUPS WHO FURNISH THEIR MINDS AND ENERGIES TOWARD IMPROVING TRANSIT.

SUCH MARKET-ORIENTED TRANSIT PROVISION COULD INCLUDE INNER-CITY CIRCULATION SERVICES, REVERSE COMMUTE SERVICES, COMMUTER EXPRESS ROUTE SERVICES, DEMAND-RESPONSIVE SERVICES, AND LOCAL CIRCULATION SERVICES. IN PHILADELPHIA, FOR EXAMPLE, THE URBAN AFFAIRS PARTNERSHIP, IN ASSOCIATION WITH THE PHILADELPHIA URBAN COALITION IS SPONSORING A REVERSE COMMUTE PROGRAM FOR LOW INCOME WORKERS THAT EXPECTS TO PLACE 1,000 ENTRY LEVEL WORKERS IN SUBURBAN JOBS DURING 1988.

OUR SECOND INITIATIVE IS THE SUBURBAN MOBILITY PROGRAM WHICH IS A JOINT EFFORT OF THE PUBLIC AND PRIVATE SECTORS, FOCUSING ON SOLVING CONGESTION PROBLEMS IN THE GROWING SUBURBS. WE WANT TO HELP PRE-EMPT THE DEVELOPMENT OF SUBURBAN GRIDLOCK BY ENCOURAGING EARLY MOBILITY PLANNING BY ALL CONCERNED PLAYERS.

NUMBER THREE IS OUR COMPETITIVE SERVICES DEMONSTRATION PROGRAM. WE ARE SPONSORING A SERIES OF DEMONSTRATIONS AIMED AT INTRODUCING COMPETITION INTO TRANSIT SYSTEMS FOR ELEMENTS SUCH AS OPERATIONS OR MAINTENANCE, WHERE EXPERIENCE SHOWS SAVINGS AS HIGH AS 50 PERCENT.

FOUR IS THE OUTREACH PROGRAM. INTEREST IN THE ADVANTAGES OF COMPETITION HAS SPREAD TO MANY TRANSIT DECISION-MAKERS, SUCH AS ELECTED OFFICIALS, BOARD MEMBERS, AND CONSUMER GROUPS. IN JUNE AND SEPTEMBER, FOR EXAMPLE, WE WILL SPONSOR A SERIES OF WORKSHOPS

TO EXCHANGE TECHNICAL, FINANCIAL AND POLICY INFORMATION AMONG TRANSIT GOVERNING BOARD MEMBERS. BY ENCOURAGING A BROADER DISCUSSION OF THE VARIED SERVICE OPTIONS AVAILABLE TO TRANSIT, OUR OUTREACH EFFORTS ARE DESIGNED TO HELP INCREASE THE FLEXIBILITY OF THE TRANSIT INDUSTRY AND LOCAL DECISIONMAKERS, PROVIDE ADDED CONSUMER AWARENESS, AND BROADEN UMTA'S UNDERSTANDING OF THE PROBLEMS FACING TRANSIT.

NEXT IS THE RURAL CONNECTOR, AN IMPRESSIVE PUBLIC/PRIVATE PARTNERSHIP WHICH IS BEING FORMED TO IMPROVE SERVICE. THE GREYHOUND CORPORATION, RECOGNIZING THAT IT COULD NOT AFFORD TO CONTINUE TO DIRECTLY SERVE MANY RURAL COMMUNITIES, HAS JOINED WITH "RURAL AMERICA" AND THE NATIONAL ASSOCIATION OF TRANSPORTATION ALTERNATIVES TO HELP LOCAL NON-PROFIT AND PUBLIC OPERATORS DEVELOP A CONNECTOR SYSTEM TO FEED A MORE STREAMLINED INTERCITY BUS NETWORK. THE CONCEPT IS VERY SIMILAR TO THE HUB AND SPOKES MODEL IN THE COMMERCIAL AIR INDUSTRY. SERVICES HAVE NOW BEEN INITIATED IN TENNESSEE, NORTH CAROLINA AND VIRGINIA. THE PILOT PROGRAM IS SUPPORTED BY UMTA AND WILL SERVE AS A MODEL FOR THE DEVELOPMENT OF A NATIONAL FEEDER SYSTEM.

I WOULD LIKE TO MENTION, BRIEFLY, THE ISSUE OF SECTION 13(C), AND REPORT TO YOU THAT WE ARE WORKING CLOSELY WITH THE DEPARTMENT OF LABOR TO DEVELOP WRITTEN GUIDANCE FOR UMTA GRANTEES ON THE CRITERIA AND PROCEDURES USED BY THE LABOR DEPARTMENT IN GRANTING THE LABOR PROTECTION CERTIFICATIONS REQUIRED FOR UMTA GRANTS. WE EXPECT TO CIRCULATE THIS INFORMATION SHORTLY AMONG INTERESTED PARTIES FOR THEIR COMMENT.

AS I MENTIONED AT THE BEGINNING OF MY REMARKS, BUSINESS AS USUAL IN THE TRANSIT INDUSTRY IS GIVING WAY TO A NEW REALISM THAT AGGRESSIVELY PURSUES PRIVATE SECTOR INVOLVEMENT, INSISTS THAT THE FULL COMMUNITY PARTICIPATE AND RESERVES MANY MAJOR DECISIONS TO LOCAL DECISION-MAKERS.

I AM ALSO, AGAIN AS A TRANSIT ADVOCATE, MAKING SURE THAT UMTA IS MANAGING ITS OWN RESPONSIBILITIES IN AN AGGRESSIVE, ORDERLY WAY. THE QUARTERLY RELEASE PROCESS FOR THE SECTION 9 FORMULA GRANT PROGRAM, WHICH WE INSITUTED IN 1986, IS WORKING SMOOTHLY. DURING THIS FISCAL YEAR'S SECOND QUARTER, WHICH ENDED ON MARCH 31, WE ANNOUNCED 151 GRANTS TOTALING MORE THAN $895 MILLION. THAT MEANS THAT WE HAVE OBLIGATED 50 PERCENT OF AVAILABLE FUNDS AND HALF OF ANTICIPATED GRANTS FOR THIS FISCAL YEAR.

WE ARE ALSO EMPHASIZING MORE EFFICIENT PROJECT IMPLEMENTATION. UMTA HAS CONTRACTUAL RELATIONSHIPS WITH 904 GRANTEES FOR ABOUT 6,000 GRANTS, REPRESENTING MORE THAN $30 BILLION. SOME OF THOSE GRANTS ARE OLD ENOUGH TO VOTE. I AM TROUBLED BY SPECIFIC PROJECTS WHICH HAVE SEEN NO DISBURSEMENTS FOR YEARS AND NO INDICATION THAT CONTRACTS TO DO THE WORK HAVE EVER BEEN AWARDED. A TOTAL OF $5.7 BILLION IN UMTA GRANT FUNDS HAS NOT BEEN PUT UNDER CONTRACT BY OUR GRANTEES.

ACCORDINGLY, WE HAVE UNDERTAKEN AN EFFORT TO REVIEW OLD OR INACTIVE PROJECTS IN ORDER TO RECOVER THAT LANGUISHING MONEY FOR USE ON OTHER PROJECTS. IN THE PAST YEAR, WE HAVE CLOSED OUT OVER 1,200 PROJECTS WITH MORE THAN $35 MILLION BEING RECOVERED. FOR THIS YEAR, WE HAVE TARGETED ABOUT 1,500 PROJECTS FOR POTENTIAL CLOSEOUT AND DEOBLIGATION SO THAT AS MUCH AS ANOTHER $100 MILLION CAN BE REOBLIGATED FOR WORTHWHILE TRANSIT PROJECTS. OUR LIST INCLUDES:

$9.7 MILLION IN SECTION 5 OPERATING ASSISTANCE GRANTS IN A PROGRAM THAT ENDED IN 1986;

$14 MILLION IN OLD PLANNING GRANTS THAT WERE AWARDED BEFORE 1983;

$28 MILLION IN A VARIETY OF PROJECTS THAT ARE OVER 90 PERCENT DISBURSED, BUT HAVE NOT HAD ANY FURTHER CASH DRAWDOWNS IN THE PAST 12 MONTHS; AND

$49.5 MILLION IN PROJECTS WHICH WERE OBLIGATED AT LEAST TWO YEARS AGO, BUT AS OF THE PRESENT HAVE NOT YET HAD ANY DRAWDOWNS.

WE WILL CONTINUE TO WORK CLOSELY WITH UMTA GRANTEES TO IDENTIFY ADDITIONAL FUNDS THAT CAN BE MADE AVAILABLE FOR REALLOCATION TO AREAS AND PROJECTS WHERE THEY ARE TRULY NEEDED.

ALL OF US AT UMTA ARE COMMITTED TO THE NOTION THAT MOBILITY HELPED MAKE AMERICA GREAT AND THAT BY USING OUR CREATIVITY AND IMAGINATION, WE CAN KEEP THAT ADVANTAGE.

THANK YOU. I WILL BE HAPPY TO RESPOND TO QUESTIONS.

REMARKS OF SENATOR LAUTENBERG

Senator LAUTENBERG. It has been said by others and the question arises: What is in a name? Whether you want to change Urban Mass Transit, urban to mobility, or what have you, the question is a matter of philosophy.

And I know your background was from a state transportation agency. I have watched with interest your comments about New York City and your very severe criticism about how they have managed their transportation programs. There are obviously a few who would disagree with you in both your philosophy and the criticism. You have worked longer in transportation than I have, and we approach it from a different vantage point.

My interest was initially created when I headed a major corporation and then served as commissioner of the port authority. In addition to the financial side of the equation, of course, is the community or perhaps we can call it the social side of the equation. Do we give a darn about pollution, congestion, the ability of those whose income is often at best on the moderate side, and the facility of those people to get back and forth to jobs?

The fact is there has been a whole geographic or demographic restructuring of our society. Jobs are moving away from the urban centers and into the suburbs, and suburban people are traveling to the larger cities. So there is quite a mix there.

I would submit to you, with all respect, that a restructuring of the philosophy ought not to be done at a hearing on appropriations where we are looking for ways to continue to help communities help themselves through the maze. You know, I come from the most densely populated state in the country, and if we can not move people and goods with facility, we are dead in the water, as they say. So, as you might have imagined, there is some disagreement in terms of the perspective that I and the administration have.

PUBLIC/PRIVATE TRANSPORTATION NETWORK [PPTN]

The major effort of this administration has been encouraging private participation in the provision of transit services. What is the status of and how does the Public/Private Transportation Network function?

Mr. DELLIBOVI. The Public/Private Transportation Network is one of a number of initiatives that we have established in order to facilitate the involvement of the private sector in public transportation. It is basically a technical assistance program and an information exchange program in which experts are available to transit industry organizations who want to take advantage of them. This network provides peer-to-peer communication as its basic building block. These experts are available on a variety of issues to transit industry agencies who need help in a particular area of involving the private sector.

Senator LAUTENBERG. UMTA has funded a number of demonstration projects to bring public and private interest together. What is the source for these funds?

Mr. DELLIBOVI. We have used some of our planning funds under the section 8 planning program. We have used some of the technical assistance funds under our section 6 program. And in some instances to promote private sector involvement, we have used capital dollars.

To use an example, in the state of New Jersey under the Allied Junction proposal at Secaucus, we used some section 6 money, about $500,000, to get that project launched. We have used planning money under our section 8 program to assist New Jersey Transit in involving the private operators and consulting with them. And we have used section 3 and section 9 capital money to provide equipment and facilities to the private operators in New Jersey. That is basically the parallel effort that has taken place.

We have probably had the greatest success in New Jersey in terms of seeing public and private sectors take advantage of every available source of funding. As you go across the country, some states have only come to us for section 3, others for sections 6 or 8. But we have used a mix, whatever works best for New Jersey based on needs that they identify.

NEW STARTS STATUS

Senator LAUTENBERG. What are the total amount of requests or inquiries that UMTA now has pending in the New Start category? You made mention of it in your remarks. What is the total amount of funds associated with these projects? I want you to repeat it Al, because I want to be sure the record is very clear on that.

Mr. DELLIBOVI. We have a total request pending, a total pipeline, of 28 projects that are seriously along. Excuse me, that is 34 projects that are seriously into the stage of alternatives analysis. We have another group of about 26 projects where they are thinking of launching a fixed guideway system.

The first group are obviously the more serious ones because those are the ones that are further along in the process.

Senator LAUTENBERG. What is the definition of further along? How far along are they? Are they in the design stage or has construction begun on some of these?

Mr. DELLIBOVI. They are at least in the alternatives analysis process which is the most serious stage before preliminary engineering. We have a systems planning effort which is the first step; that is where 26 of them are. The additional 34 are either in alternatives analysis, preliminary engineering, final design, or under construction; 34 fall into that category.

Senator LAUTENBERG. What is the total amount of funds associated with these projects? Let us take the first one: the serious group; and then we will take the unserious.

Mr. DELLIBOVI. To build and construct the 34 projects in the pipeline would require in excess of $16 billion, federal and local. Some has already been spent or obligated.

Senator LAUTENBERG. $16 billion?

Mr. DELLIBOVI. $16 billion, with a "B."

Senator LAUTENBERG. "B" as in boy. We will leave the others out because it is too early really, to evaluate.

Mr. DELLIBOVI. That is the way we feel.

Senator LAUTENBERG. Well, what I want to do is get a perspective on this and see how deep our heads are in the sand in terms of what is needed out there and what the administration is proposing.

Which ones are ready to proceed? Those, for instance, that could use the funds if they were readily available.

Mr. DELLIBOVI. The ones under construction would probably be in the best position to do that. Those would be Atlanta, Houston, Los Angeles, the East Line in San Diego, and the Santa Clara and Seattle projects. Santa Clara is just about finished. So not all of those would need additional funds, but those are the most serious where there are actually shovels in the ground.

The next group that follows behind them are the ones in final design, or where there is some final design and construction underway. Those would be Houston and Jacksonville. And, of course, the last 14 miles of the Washington, DC, system would fall into that category.

NEW STARTS FUNDING

Senator LAUTENBERG. What are we talking about for funding for the first, roughly half dozen? What funding for those that are really underway, Atlanta, Houston, Santa Clara, and Seattle. What kind of funding?

Mr. DELLIBOVI. In federal share of section 3, about $1.2 billion, but $960 million has already been obligated, and $200 million is available, to be obligated, leaving about $71 million to go.

Senator LAUTENBERG. That is for the current year?

Mr. DELLIBOVI. Yes.

Senator LAUTENBERG. And for the Houston, Jacksonville district systems?

Mr. DELLIBOVI. Well, leaving out Washington, DC, from that group, nothing more would be needed in section 3 funds. We will be providing a table on all these projects with our questions for the record.

NEW STARTS RATING SYSTEM

Senator LAUTENBERG. What is the methodology for establishing New Starts priority projects?

Mr. DELLIBOVI. We have proposed a system of rating the cost effectiveness of the various projects. It was proposed as part of a capital investment policy that was issued in 1984. The rating system relies on two primary criteria: Cost effectiveness and local financial support. We define cost effectiveness and use it to identify those projects which are clearly superior to those with some merit and those which are obviously less worthy.

After this rating of the projects, they are ranked in each group. Then we look at the financial capacity of the local sponsors, both to come up with their portion of the capital cost, and also the capacity to operate the system. All of the systems operate at a deficit. We argue that the ones you should fund are the ones where they have the local source and the local will to pay the deficit, to pay for operating it.

Senator LAUTENBERG. By the way, in your list of cities, you did not mention Salt Lake or St. Louis or Miami.

Mr. DELLIBOVI. Salt Lake City is in alternatives analysis.

Senator LAUTENBERG. How about St. Louis and Miami?

Mr. DELLIBOVI. St. Louis is in preliminary engineering and is higher up and further ahead than Salt Lake City, which has not yet defined its exact project.

Senator LAUTENBERG. Miami?

Mr. DELLIBOVI. Miami would be in the same category as St. Louis with regard to the extensions of the Downtown People Mover [DPM].

Senator LAUTENBERG. What kind of money are we talking about with those?

Mr. DELLIBOVI. In Miami, we see the demand there is another $180 million federal dollars.

Senator LAUTENBERG. Yes.

Mr. DELLIBOVI. Above that $180, I might add that we have appropriations through fiscal year 1988 of $137 million. Those are funds that you have appropriated, but we have not been able to obligate because the environmental work is not complete. So the net demand for Miami is $43 million that you need to be looking at.

Senator LAUTENBERG. St. Louis was how much?

Mr. DELLIBOVI. St. Louis? We are also waiting to sign a full funding contract, but they would need another $196 million to complete.

Senator LAUTENBERG. So, you put them in the first category?

Mr. DELLIBOVI. They would be in the first category as soon as we can sign a full funding contract with them.

Senator LAUTENBERG. So that is another quarter of a billion?

Mr. DELLIBOVI. Yes.

COST-EFFECTIVENESS FACTOR

Senator LAUTENBERG. When you use the cost-effectiveness factor in evaluating priorities, what are you looking for? Is it simply a mathematic computation that gets you down to some index?

Mr. DELLIBOVI. It is basically an index that tells us the cost in dollars of attracting a new rider to transit. That is the goal we have of getting somebody on transit that is not now on transit. We also have a provision in the formula that accounts for travel time saved. Someone now might be riding on a bus. If the transit line were to cut their trip, reduce the travel time by 75 percent, that is also a benefit, and it measures that. I do not know if Mr. McManus wants to amplify on it; if you like, he is prepared to.

Mr. MCMANUS. The Administrator has essentially identified it. We take the net costs, which consist of all capital costs projected over the life of the asset and all operating costs, and subtract any operating cost savings that might be the result of a capital investment, to get net costs. We also subtract out the value of time savings for existing riders. And that becomes the numerator of a fraction. And the denominator is added riders over what you would get by simply improving the existing system. So you get a net costs per added rider.

And as a threshold figure for cost effectiveness, we have been using $6 of added cost per added rider. That essentially is the cost of an average trip by automobile or a driver in a single-occupant car, doubled to take into account that there are societal benefits by virtue of using transit. That is roughly the way that the index is calculated.

Then we have the proposers of projects who say anything they want to about what they consider to be the benefits and the value to the community. They describe their fiscal effort. And we take all those things into account. The index is one indicator and then you have to introduce judgmental factors into how you sort things out.

Senator LAUTENBERG. OK. So it is not simply buy the program and put it in your Apple computer and calculate it. There are other, as you said, judgmental factors which include, I assume, the ability of highways in the area to carry traffic, some of the development perspectives, environmental benefit, and all of those things.

Mr. DELLIBOVI. Those are all implicit in the formula. Obviously the ability of the highway factors, congested highways, would increase travel time saved. The increased use results in cleaner air if it takes people out of their single-occupant automobiles. If it takes them out of

buses, the air quality improvement is not as great as if it takes them out of cars.

RANKING FORMULA

Senator LAUTENBERG. What does UMTA use as an offset for the dollar for each of the additional riders in the tracking ranking system? How do you calculate the savings particularly? Is it put into a formula that relates to the cost of automobile traffic, parking, and the tolls?

Mr. DELLIBOVI. All of those factors are part of the equation. The formula was prepared with the help of the folks at the Kennedy School at Harvard and is a very complicated and technical equation which has been respected in the transportation community. We would be happy to provide it.

Senator LAUTENBERG. It is not so much the formula, Mr. DelliBovi. We want to try to see whether in calculating an approach to mass transit, whether we are not simply into the numbers business and say it will cost you $6 to move a rider onto transit systems and ignore so many of the other factors. I think there are societal factors here that are enormous in terms of how we approach this. Frankly, I would submit to you that it is a pretty cheap deal in my view. If we can reduce automobile use in a country and the overburdened highway systems, traffic congestion, and so forth, then—if you want to talk about New York City and the drive down the West Side Highway or the East River Drive and compare that to the management of the transit system, then you have got an incredible assignment. It is an old highway system that needs major overhaul. And how we plug into this index, I think in many ways, determines what kind of a country we are going to be.

The New Start projects we mentioned as being ready to proceed: Have you looked closely enough at them to see which ones pass and which ones might fail the UMTA New Start dollar per ride cost?

Mr. DELLIBOVI. The ones in alternatives analysis, the group that meets the $6 threshold that Mr. McManus mentioned would be the East Line in Atlanta, the I–25 project in Denver, in San Francisco the Colma project. Those that fail the $6 threshold are St. Louis, the Miami DPM extensions, and the Orange Line replacement in Boston. The balance of the projects are not ratable because enough information is not currently available to place a rating on them.

NEWARK, NJ, CONNECTOR PROJECT

Senator LAUTENBERG. How do we square this away with a statement by the mayor of New Jersey's largest city, Mayor James? He says that people in his town do not have cars to begin with. If you try to factor in how you switch them from cars to mass transit, how do you switch them in from no cars to mass transit. How do you do the formulation on those?

Mr. DELLIBOVI. I understand the mayor's project. I think that the growth connector, as it is called, is an excellent example of an economic development project. If the problem is solving the mobility needs of the citizens of Newark, there are any number of other things, such as buses

or jitneys, besides a fixed guideway system that would meet those mobility needs.

And our system begins with a look at the best you can do with the bus system. What is the best you can do with buses? Buses can penetrate neighborhoods. They are not restricted to where there are steel rails or where there is some fixed guideway just for buses. They can move around the neighborhood very much like people want to move.

Senator LAUTENBERG. As they review this proposal in Newark and in the region, they see it as having a very significant effect on a very depressed economy. As you know, Newark is among the poorest cities in the country. Whatever sources they can find to attract development business not only factors into the transportation needs, but also into the general economic development of the community. I think they have a legitimate basis turning to the federal government for help. They also have been very aggressive. As you know, the port authority has agreed to participate. And people from companies in the private sector have indicated their willingness. So it is a very positive public-private partnership. I hope that we are going to be able to give them the help that they need and say, "OK, your government is also interested in being some part of the partnership to help you get the project going."

Mr. DELLIBOVI. You will be pleased to know that our criteria reward that kind of thing, the nonfederal participation, by moving up in the ratings those projects where there is more than minimal match to the federal grants. The system does recognize that, so they would have that potential.

HUDSON RIVER WATERFRONT PROJECT

Senator LAUTENBERG. I want to talk for a moment about another subject I know that you are familiar with and that is the Hudson River waterfront project which is underway in New Jersey. It is very, very important. There is a lot of abandoned space that could be used effectively for residence and economic development. That project, as presently designed, is going to go through the Weehawken rail tunnel, south of Newport City, and end south of Jersey City all of which is along the Hudson River. How much of the system could be busway and how much light rail transit?

Mr. DELLIBOVI. Of course that is going to be a local decision, as they determine it. As I understand it, the 1.5-mile section will be busway from the turnpike down to the Lincoln Tunnel. Then they are looking at a waterfront transitway which will be some sort of light rail, I believe, for the 15 miles from exit 14A down through the bottom.

Senator LAUTENBERG. $20 million has been made available to New Jersey Transit for the purchase of rights-of-way for this transit program. Do you know what is the status of that funding?

Mr. DELLIBOVI. Yes; the New Jersey Transit has set up a special division to do the Hoboken Waterfront Development project. Mr. Joe Martin, whom you may recall as the county manager from Essex County, is heading that up. I met with him up in New Jersey just about 6 weeks ago; I spent a day walking along the right-of-way. They are

negotiating with Conrail for the transfer. The negotiations have not moved along as some people would have liked, but they are conducting the negotiations. They have our $20 million to do it.

Senator LAUTENBERG. Has UMTA been involved in the negotiations with any of the private developers involved in the project? Or is that, too, a local issue?

Mr. DELLIBOVI. This is basically a local issue. For those developers who have contacted us, we have facilitated their communication with New Jersey Transit. They are staffing up and I think they are going to move that project along very well.

Senator LAUTENBERG. What types of technical assistance can UMTA provide the local transit authority or local government that is negotiating with private developers? Often they do not have the skills. They do not have the same knowledge that the other side has. I just wonder if UMTA can provide, or does provide any technical assistance to these communities?

Mr. DELLIBOVI. We provide technical assistance through our own staff. The PPTN that we discussed earlier was set up precisely to provide, on a one-shot basis, that kind of expertise. Through our planning program and the demonstration program, we will use our funds in support of these soft costs.

For instance, if a transit agency needs to hire some staff to conduct the negotiations, they can apply to us for the funds and we will make those kinds of grants so that they can go out and buy the expertise they need. And, of course, we are a clearinghouse; we do not tell them who to hire, but we help them find the universe; they go out and hire them competitively.

SECAUCUS, NJ, PROJECT

Senator LAUTENBERG. You mentioned the Secaucus transfer, the Allied Junction. What has been UMTA's involvement in this project?

Mr. DELLIBOVI. We have made a grant of $500,000 to initiate site planning and environmental work for that project. Once that is completed, we will be working with New Jersey Transit to identify the other costs. We have also made a grant of about $3.7 million, which is going to be used to conduct some of the preliminary engineering for the track work on the related projects, the Bergen, ME, Passaic Valley, and Northeast corridor railroad lines, and parking facilities that will all be coming together at Secaucus.

By the way, the Allied Junction grant is under one of our 4(i) programs.

Senator LAUTENBERG. We will take your word for it. As you know, that transfer project is another example of the private involvement in developing transit facilities. Do you have any estimate of what the total cost might be for the Secaucus transfer project? And how much of that might be borne by the private sector?

Mr. DELLIBOVI. The total project cost will be, we estimate, $286.4 million. About $35 million of that is for the transfer station, which is what the private sector has come forward with thus far. And the balance,

$251 million is for the other connection work that is necessary to make the station function, and to have a place where lines come together.

TRUST FUND BALANCE

Senator LAUTENBERG. On the cash balance of the trust fund at the end of fiscal year 1987, how much is committed already and how much has been appropriated? Of that cash balance, how much is unencumbered at this point?

Mr. DELLIBOVI. At the end of fiscal year 1987, there was a cash balance in the mass transit account of $4.2 billion; of that we have $2.4 billion that are unpaid or unliquidated obligations; 58 percent of our cash balance is encumbered and obviously 42 percent is not encumbered.

Senator LAUTENBERG. Would the administration support the use of the mass transit trust fund rather than the highway trust fund to fund the interstate transfer program?

Mr. DELLIBOVI. No; we would not support funding the interstate program from the mass transit fund. The budget we are presenting today uses all of the revenues from the mass transit account during the 1987 to 1991 period to fund our proposed formula and that is our position.

Senator LAUTENBERG. But, it does not use the interest, and it does not use the unencumbered balance for the program? What about the interest that is gathering?

Mr. DELLIBOVI. We would use part of the unencumbered funds, but the budget would basically be a deficit-neutral proposal. Interest earnings are simply an intergovernmental transfer from the Treasury. That interest is derived from general revenue in any case, so we would not use the interest.

Senator LAUTENBERG. Does it make sense to use that interest?

Mr. DELLIBOVI. It is our view that it does not make sense, since it only drives the deficit up further. If you pay the interest out on the transit account, you have to raise the cost of it out of the general revenue side of the ledger. It is not found money.

Senator LAUTENBERG. But it causes borrowing for the other projects that these funds would fund. Am I correct?

Mr. DELLIBOVI. That is clearly one way to look at it.

FISCAL YEAR 1988 OPERATING ASSISTANCE

Senator LAUTENBERG. Actually the money is available and we ought to use it. For fiscal year 1988, operating assistance was cut 5 percent from the originally agreed to conference freeze level to meet the economic summit targets established for this subcommittee.

There seems to be a bit of confusion in the transit community on the distribution of operating assistance funds. What was the methodology that UMTA used in apportioning fiscal year 1988's operating assistance?

Mr. DELLIBOVI. The problem was that we received two directives: One in the appropriations bill; the other in the highway bill. That created a bit of confusion. Neither directive left us with any choice. In the Surface Transportation and Uniform Relocation Assistance Act, com-

monly called the highway bill, there was an increase in the authorized limits for the small urbanized areas of less than 200,000. They received an increase of 32.2 percent. That action thus increased the authorized level to $913 million in fiscal year 1988; that was in April.

Then in December the Omnibus Appropriations Act was passed and signed into law by the President. That had an operating assistance cap of $804 million. So, without any other guidance, and since it is illegal for a federal agency to spend more than has been appropriated, what UMTA had to do was to prorate the $109 million reduction across the board.

In the Senate version of this appropriations bill, only cities of 1 million people would have been reduced; but the Conference Committee deleted the Senate's provision and that made it clear that Congress did not want to disproportionately reduce any one city size.

It left us again with no choice, so we allocated the $804 million limitation contained in the appropriations act in direct proportion to the $913 million limitation that was in the authorization act. Some cities lost money because this operating assistance limit was reduced below their 1987 limit. And because the limitation for the small urbanized areas was increased by 32 percent, the mid-sized ones suffered the brunt of the reduction.

Let me tell you that if this limitation is kept at $804 million, or is further reduced in 1989, then the mid- and large-sized areas are going to be reduced again because the highway bill calls for operating limitations for small areas to be increased again by an amount equal to inflation for each fiscal year. Because of this conflicting direction, we have no choice but to run the formula that way.

Senator LAUTENBERG. So there was $100 million roughly that could have been used that the mandate made clear?

Mr. DELLIBOVI. Yes; I suspect so. I have served in a legislative body, and I know how these things happen. I think, clearly, there was a rush probably in the time element and it was not foreseen. The result was that after it was done, short of a special bill, there was no way to fix it.

UMTA'S ROLE

Senator LAUTENBERG. We thank you, Mr. DelliBovi, and your colleagues for being with us today. We disagree again on what UMTA's role ought to be. We have enough members of the Office of Management and Budget confronting us. We do not want to see you taking on that assignment, the deficit reduction. We will try to leave it to others.

We want UMTA, with its skills and experience, and its maximum funding to be of help to the communities. There is a desperate need out there for developing transit systems that provide a balanced transportation network for our society.

And this is one of the most effective programs that we have. We are trying to share it, not just with the larger ones, but with the communities across the country. It is disappointing for me and many of us here, as you heard my colleague and your friend, Senator D'Amato talk

about how ridiculous it was to plan the budget with the kind of reductions that we have in transit.

We thank you very much and we will call the next panel.

Mr. DELLIBOVI. Thank you very much Senator. Let me just say that though we may disagree on some numbers, we—and I speak on behalf of the UMTA staff that is here at the table with me and the entire organization—we are committed to the agenda of doing the best job we can with the funds that you give to us. We are determined to make the program as effective as it possibly can be in providing mobility to the folks who need it.

SUBMITTED QUESTIONS

Senator LAUTENBERG. Thank you. I will call Ms. Turner to the table. Mr. DelliBovi, we will be submitting additional questions, as you know, from various members of the committee. We ask that you get back as promptly as you can. Excuse me just 1 minute.

[A brief recess was taken.]

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR LAUTENBERG

PRIVATE SECTOR PARTICIPATION

SENATOR LAUTENBERG: A major effort of this Administration has been encouraging private participation in the provision of transit services. What is the status of and how does the "Public-Private Transportation Network" function?

ANSWER: The Public Private Transportation Network (PPTN) is a technical assistance activity meant to assist those in the public or private sectors who are considering or undertaking private sector initiatives. The PPTN makes available experts, and peers who successfully implemented a private sector initiative, to those requesting assistance. The PPTN also sends representatives to conferences and workshops, and makes available material to those requesting information.

Significant progress has been made in getting UMTA grantees to consider private sector options in delivering or financing mass transit services. 91.8 percent of agencies surveyed (265 MPOs, 412 transit operating agencies and 48 state agencies) have either adopted a policy or developed a process regarding private sector participation. This is up from 85.6 percent in 1986.

SENATOR LAUTENBERG: UMTA has funded demonstrations (provided seed money) to bring public and private interests together. What pot of money do these funds come from?

ANSWER: UMTA provides "seed money" under the Entrepreneurial Services Program to assist private providers start services targeted to specific markets with the expectation that such services will become self sufficient after the start-up period. UMTA provides challenge grants both under Section 6 and 3. Section 6 is used to plan and develop and market services. Section 3 is used to underwrite the entrepreneur's capital costs during the start-up period.

SENATOR LAUTENBERG: What "private involvement" projects has UMTA funded with the seed money?

ANSWER: UMTA has funded the following projects with seed money where the services, once started, will be funded completely out of the market place without any public transit assistance.

- o A reverse commute service that will carry unemployed workers from downtown Philadelphia to jobs in the suburbs.

- o Reverse commute service in three major cities, (Washington D.C., St Louis, and Boston). The service will carry residents of public housing groups and nearby neighbors to job sites in the suburbs. Besides providing much needed job

related transit the service itself will be operated by a private profit making firm formed by residents of the public housing units.

o Rural community service in Orangeburg N.C. The service will serve several institutions of higher learning as well as the local community of Orangeburg.

o Public shuttle bus service in Orlando Central Park, Orlando Florida.

o Downtown circulator for Honolulu, Hawaii

o Commuter express from Sacramento to San Francisco

o Commuter express from Oakland to San Francisco.

o Suburban connector in suburbs in Chicago.

o Suburban reverse commute shuttle service from the metro station to suburban job cites in the King of Prussia (suburb of Philadelphia)

o Circulator for West Miami.

SENATOR LAUTENBERG: What have been the results to date?

ANSWER: Actual privately operated public transit service has been initiated in Honolulu, Philadelphia, and Oakland. Service will be initiated in the other locations within the next few months. It is too early to be able to report further on results.

SENATOR LAUTENBERG: How many of these types of projects are you expecting to fund this fiscal year? How many are planned for fiscal year 1989?

ANSWER: UMTA plans to fund between 40 to 50 such projects in fiscal year 1988. An equal number is being planned for fiscal year 1989.

SENATOR LAUTENBERG: What amount of money will be spent in fiscal years 1988 and 1989 on these types of projects?

ANSWER: UMTA plans on spending between five to six million dollars in 1988 and six to seven million dollars in 1989. Of this, $1.5 million will be from Section 6 and the rest from Sections 3 and 8.

SENATOR LAUTENBERG: How many transit authorities and how much are they spending on contracting out?

ANSWER: In FY 1987 UMTA conducted an inventory regarding levels of private sector participation among grantees. Among the 412 operating agencies that responded, $977.8 million is contracted which represents 8.2 percent of total local operating budgets. This figure is up from 6.6 percent in 1986.

SENATOR LAUTENBERG: List the contracts let and amount of each contract let for privatization work. Briefly describe the contracts' scope and expected product including contract duration. (For Fiscal Years 1987 and 1988.)

ANSWER: During Fiscal year 1987, three procurement contracts were amended to conduct work in the area of privatization:

a. The first amendment was for the Urban Institute for an amount of $195,000 and a contract duration of 24 months. The contract is expected to end in September 1988. The scope of the contract is to develop demonstrations of competitive transit throughout the U.S. The contractor is also to monitor the demonstration development and implementation. Under this contract, demonstrations were developed in Des Moines, Iowa, Minneapolis, Minnesota and Little Rock, Arkansas. Assistance was also given for developments in Miami, Los Angeles, New Orleans, and Cincinnati.

b. The Urban Institute received another contract amendment for $189,000 for a period of 18 months. The contract is expected to end in December 1988. The purpose of this contract is to establish a high level Competitive Service Board to develop principles in issues critical to transit competition. The Board is well represented by private and public officials and principles have already been developed in the area of cost allocation and 13(c) barriers to contracting. In addition, this funding is to find demonstration sites for gain-share labor incentives. Gain share is the concept where cost savings are achieved by high productivity and performance are shared by the employees responsible for these savings. The expected products of this contract is the finding of the sites and the technical assistance that will be provided to set up the gain-share demonstrations.

c. A contract amendment to Ecosometrics, Inc., in the amount of $200,000 for 12 months was done to evaluate the three initial demonstrations of competitive service mentioned above. The expected results of this contract are reports comparing the cost of public versus private transit, as well as an assessment of other attributes such as level of service, ridership increases and labor relations.

d. In addition, a fourth contract was issued to Urban Mobility for $824,721 to provide task order support to the Office of Private Sector Initiatives.

In Fiscal Year 1988, one contract is expected to be amended for Ecosometrics, Inc. for $200,000 and a period of one year to complete evaluations of other competitive service demonstrations as mentioned above--Miami, Los Angeles, Cincinnati, and New Orleans.

In addition, two other contracts were let, one to Associate Consultants for $142,611 to support UMTA's 4th Annual Conference on Private Sector Involvement and one to Mason Tillman Associates for $130,482 to develop and implement a technical assistance program to assist small

and minority-owned entrepreneurs identify and develop self-sustaining transit services as well as compete competitively for contract opportunities.

SENATOR LAUTENBERG: What is the status of the Community Family Life Services Contract (DC-06-0543)?

ANSWER: The Community Family Life Services (CFLS) project was funded by UMTA on August 19, 1986. CFLS received a $80,625, 100 percent Federally funded UMTA Section 6 grant to expand an existing program to provide transportation and other job services to unemployed District of Columbia residents. CFLS began in 1969 as a cooperative effort by the First Trinity Lutheran Church and the Wheat Foundation. CFLS provides a variety of services to disadvantaged inner city residents, the largest of which in terms of resource and staff is the Employee Transportation Assistance Program.

The program began in September 1985 with a donated 15 passenger van and over the last 2 1/2 years has been expanded with a 50 passenger bus and two 15 passenger vans. CFLS now transports about 90 people a day in three shifts from the District of Columbia to jobs at Dulles Airport. It is estimated that over the life of this project approximately 800 persons have been assisted in obtaining jobs. For various reasons, there is a high attrition rate among placed employees. Many are substance abusers who work only long enough to "get a stake" and then drop out again. Others are unable to continue the job owing to the long commute. Some have left to find other more conveniently located or better paying jobs. A small number are still employed at the original employer but have moved to the suburbs or found other more convenient transportation. A study is underway to document this project, but it may be difficult to fully account for all of the attrition amongst the transient client groups.

NEW STARTS

SENATOR LAUTENBERG: What is the total amount of requests or inquiries that UMTA now has pending in the "new start" category? What is the total amount of funds associated with these projects?

ANSWER: We are currently showing 34 separate projects in our Section 3 new starts pipeline. This includes six projects under construction, three in final design, seven in preliminary engineering, and eighteen in alternatives analysis. In addition, at least 26 cities are considering fixed guideway alternatives in their ongoing system planning studies.

The total cost of the 34 projects in the pipeline exceeds $16 billion. If all of these projects were to be funded under Section 3, the Federal cost would approach $10 billion. (This compares with a Section 3 authorization level for new starts of some $400 to $500 million per year.) The potential demands represented by the 26 system planning cities is difficult to estimate, but is probably another $10 billion.

SENATOR LAUTENBERG: Which ones are actually ready to proceed, i.e., could use Federal funds if they were made available? What amount of funding would be involved?

ANSWER: There are four projects that have completed preliminary engineering and could advance to final design and construction in the near future: Atlanta (East Line Extension), Atlanta (Northeast Line Extension to Doraville), Miami (DPM Extensions to Omni and Brickell), and St. Louis (MetroLink). As directed by the Congress, UMTA has been negotiating full funding agreements covering the Miami and St. Louis projects. In addition, we expect that alternatives analysis and preliminary engineering will be completed for the North I-25 bus/HOV project in Denver in the next several months, and that this project could advance to final design during FY 1989.

The cost to complete these five projects is shown below:

	Total Cost	Sec. 3 Request	Prior Earmarks	Added Sec. 3 Needed to Complete
	(In millions of dollars)			
Atlanta East	$192	$135	$105	$30
Atlanta NE	$121	$91	$40	$51
Denver(a)	$200	$70(b)	$21	$49(b)
Miami	$240	$180	$137	$43
St. Louis	$384	$288	$92	$196

(a) Assumes that local officials select a 6-mile project (downtown Denver to US 36) as the locally preferred alternative.
(b) Section 3 share is subject to negotiation.

SENATOR LAUTENBERG: Briefly describe UMTA's methodology for ranking new start projects.

ANSWER: A new start rating system was established in UMTA's 1984 Major Capital Investment Policy. If the Administration were proposing a Section 3 program for FY 1989, we would use the rating system to prepare our funding recommendations.

The new start rating system relies on two primary criteria: cost-effectiveness and local financial effort. Cost-effectiveness is used to identify those projects which are clearly superior, those with some merit, and those which are obviously least worthy. The position of projects within each group is then determined by considering the degree of local financial commitment.

Cost-effectiveness is measured with an index that is formed by dividing costs by benefits. We use transit ridership and travel time savings for existing riders as

indicators of benefit. The costs and benefits of interest to us are the changes in capital and operating costs and the changes in ridership and travel time compared with lower cost alternatives.

The evaluation of local financial effort considers the magnitude of the non-Federal share, the strength of the capital financing plan, and the stability and reliability of the applicant's operating revenues.

UMTA has established cost-effectiveness thresholds to identify projects with sufficient merit to advance through the project development process. The threshold for entering preliminary engineering is currently set at $6 per new transit trip. The threshold value is based on a generous estimate of the operating cost, parking cost, and travel time savings for a typical auto commuter who shifts to a guideway transit mode of travel. The estimate was factored upward (multiplied by 2) to recognize the possibility of indirect benefits such as desirable land use change. UMTA is currently studying the threshold values to see if they should be updated.

SENATOR LAUTENBERG: Why does UMTA use a "dollar for each additional rider attracted" ranking system?

ANSWER: UMTA uses a "dollar for each additional rider attracted" (marginal cost-effectiveness) approach to rating proposals for Federal discretionary assistance for a variety of reasons. The first is that achievement of the basic goals of the Federal transit program reflected in the Urban Mass Transportation Act can be measured by the degree to which transit investments attract additional ridership and decrease travel times for existing transit riders, both of which are directly treated in UMTA's project rating approach. New ridership and decreases in travel time for existing transit riders, in addition to being direct measures of transportation benefit, are also good surrogate measures of the ability of projects to foster orderly land development, reduce congestion, energy consumption and pollution emissions and provide better mobility for transit dependants.

UMTA uses an approach which compares a given investment to a base, because focusing the New Start Program on those proposals with the lowest additional cost per additional transit trip will maximize the total pay-off from a given Federal program level. A Transportation System's Management (TSM) alternative, representing the best performance one can achieve from the existing transportation system without a major investment, is used as that base because we don't want to assign benefits to a major capital investment when they could have been achieved with a much smaller expenditure.

By comparing all major investments to TSM alternatives in the respective communities, we are in essence, putting everyone on the same footing. This avoids favoring the communities where ridership and level of service gains are easy to achieve with low-cost investments and avoids penalizing the places which have already acted to optimize their existing infrastructure.

It thus gives local communities an incentive to maximize the utility of their existing transportation system before seeking Federal funds for a significant addition.

SENATOR LAUTENBERG: Of the new start projects mentioned above as being ready to proceed, which ones pass and which ones fail UMTA's new start dollar per rider cost effectiveness threshold?

ANSWER: Denver's North I-25 Bus/HOV project meets UMTA's $6 per new trip cost-effectiveness threshold. Local officials are expected to select a 6-mile project, with a cost-effectiveness index of $3.00 per new trip, as the locally preferred alternative. A shorter segment with a cost-effectiveness index of $1.30 is also being considered.

Atlanta's East Line Extension meets UMTA's cost-effectiveness threshold with an index of $5.00 per new transit trip.

There has been no cost-effectiveness analysis of Atlanta's Northeast Line extension from Chamblee to Doraville. Several years ago, UMTA evaluated a much longer segment of the Northeast Line (Arts Center to Doraville) and found that it barely met the cost-effectiveness thresholds. The Chamblee to Doraville segment is apt to be less cost-effective than the entire line. Moreover, recent design changes in the area of the Doraville station are likely to reduce ridership and cost-effectiveness.

The Miami and St. Louis projects both fail the cost-effectiveness threshold with indices of $15.20 and $9.50, respectively.

SENATOR LAUTENBERG: Provide a New Starts Table update similar to that found on page 200 Part 4 of the House Hearings for fiscal year 1988.

ANSWER: The information follows:

Earmarked New System Projects
(In Millions)

City and Project	Total Cost (a)	Section 3 Share	Prior Earmarks	FY88 Earmarks(b)	Remaining Section 3 Cost
Congressional Earmarked Projects					
Seattle—Bus Tunnel(c)	$ 394	$ 197	$111	$ 67	$ 19
Los Angeles—MOS-1(c)	1250	604	511	94	0
* Los Angeles—MOS-2	1500	667(d)	0	46	621
Atlanta—East Line Extension	192	135	0	105	30
St. Louis—Airport	384	288	36	54	198
* Miami—Metromover (2.5 mile ext.)	240	180	120	17	43
* Denver—North I-25 Busway	200	70	7	14	49
* Jacksonville-Downtown Extension	100	4(e)	0	4	0
* Salt Lake City—South (I-15)	200	4(e)	0	4	0
TOTAL	$4460	$2149	$785	$405	$960

* Projects still in preliminary engineering or alternatives analysis.
(a) Escalated dollars to midpoint of construction.
(b) Reflects .5 percent PMO share.
(c) Under Full Funding Contract.
(d) Based on authorization level of STURAA.
(e) Cost to complete earmarked phase (PE).

SENATOR D'AMATO: Provide for the record a listing of the New Starts Project Pipeline.

ANSWER: The information follows.

URBAN MASS TRANSPORTATION ADMINISTRATION
NEW START PROJECTS
ESTIMATED SECTION 3 FUNDING DEMAND ($ IN MILLIONS)

STAGE		PROJECT	FY 1988 & Prior Year UNOBLIGATED EARMARKS	TOTAL COST (FEDERAL & LOCAL)	TOTAL SEC 3	OTHER FEDERAL	STATE/ LOCAL SHARE	SEC 3 OBS TO DATE 2-29-88	COSTS TO COMPLETE (SEC 3)	COSTS TO COMPLETE NEWS UNOBLIGATED EARMARKS	EST COMPLETION DATE (THIS PHASE)
	1	ATLANTA - PHASE C	$39.53	$699	$163	$21	$515	$72	$92	$52	1990
UNDER	2	HOUSTON-NW		$110	$41	$20	$50	$41	$0	$0	7/88
CONSTRUCTION	3	JACKSONVILLE-ASE(0.7)	$1.80	$32	$17	$7	$8	$17	$0	($2)	11/88
	4	LOS ANGELES - MOS-1	$93.53	$1,250	$604	$90	$356	$511	$93	($0)	1992
	5	SAN DIEGO-EAST		$105	$20	$43	$42	$20	$0	$0	7/89
	6	SANTA CLARA-GUADELUPE		$470	$205	$45	$220	$205	$0	$0	1987-91
	7	SEATTLE-TUNNEL	$67.16	$394	$197	$0	$197	$111	$86	$19	1990
		SUBTOTAL	$202.02	$3,060	$1,248	$226	$1,586	$977	$271	$69	
FINAL	8	HOUSTON-SW		$102	$52	$0	$47	$52	$0	$0	7/90
DESIGN	9	WASHINGTON -LAST 14 MI[a]		$1,800	$1,440	$0	$360	$0	$1,440	$0	1990-1994
		SUBTOTAL	$0.00	$1,902	$1,492	$0	$407	$52	$1,440	$1,440	
	10	ATLANTA-EAST EXT	$105.47	$192	$135	$0	$57	$0	$135	$29	COMPLETE
	11	JACKSONVILLE EXT (1.8)	$3.98	$100	$75	$0	$25	$0	$75	$71	---
PRELIMINARY	12	LOS ANGELES-MOS-2	$46.27	$1,500	$667	$0	$833	$0	$667	$621	9/88
ENGINEERING	13	LOS ANGELES-MOS-3		$1,000	$500	$0	$500	$0	$500	$500	
	14	MIAMI DPM EXTENSIONS	$137.04	$240	$180	$0	$60	$0	$180	$43	COMPLETE
	15	PORTLAND-WESTSIDE		$300	$225	$0	$75	$0	$225	$225	6/89
	16	ST. LOUIS	$89.88	$384	$288	$2	$94	$2	$286	$196	COMPLETE
		SUBTOTAL	$382.63	$3,716	$2,070	$2	$1,644	$2	$2,068	$1,685	
	17	ATLANTA-NORTH EXT.		$350	$263	$0	$88	$0	$263	$263	1989
	18	AUSTIN-NORTH CENTRAL		$140	$70		$70	$0	$70	$70	1989
	19	BOSTON-ORANGE REPL.		$50	$38	$0	$13	$0	$38	$38	12/88
	20	BUFFALO-AMHERST		$400	$300	$0	$100	$0	$300	$300	1991
ALTERNATIVES	21	CLEVELAND-DUAL HUB		$365	$225	$0	$140	$0	$225	$225	1989
ANALYSIS	22	DENVER	$20.58	$200	$70	$64	$66	$0	$70	$49	9/88
	23	HONOLULU		$800	$400	$0	$400	$5	$395	$395	1989
	24	HOUSTON-LOOP		$1,000	$540	$0	$460	$0	$540	$540	12/88
	25	HOUSTON-NORTH BUSWAY	$31.17	$78	$47	$0	$31	$16	$31	$0	5/88
	26	MINNEAPOLIS-SW/UNIVERS		$250	$188	$0	$63	$0	$188	$188	1989
	27	NEW YORK-QUEENS		$250	$125	$0	$125	$0	$125	$125	1989
	28	ORANGE COUNTY, CA		$300	$225	$0	$75	$0	$225	$225	1989
	29	PITTSBURGH-SPINE LINE		$500	$375	$0	$125	$0	$375	$375	1989
	30	SAN JOSE-FREMONT		$1,400	$1,050	$0	$350	$0	$1,050	$1,050	1989
	31	SAN FRANCISCO ANTIOCH		$800	$600	$0	$200	$0	$600	$600	1989
	32	SAN FRANCISCO-COLMA		$101	$50	$0	$51	$0	$50	$50	6/88
	33	SALT LAKE CITY (I-15)	$3.58	$200	$100	$0	$100	$0	$100	$96	9/88
		SUBTOTAL	$55.33	$7,184	$4,665	$64	$2,455	$21	$4,644	$4,590	
		26 CITIES IN SYSTEM PLANNING		$18,416	$13,812	$0	$4,604	$0	$13,812	$13,812	
		TOTAL	$439.96	$34,278	$23,286	$292	$10,697	$1,051	$22,234	$17,784	

a LAST 14 MILES BEYOND STARK HARRIS AUTHORIZATION (MILES 89 TO 103).

SENATOR LAUTENBERG: List the amount of UMTA assisted rail mileage that opened in fiscal years 1986 and 1987 (include the city, and segment description, from new start or other funds, including rail modernization, Section 9).

ANSWER: The information is provide below:

City	Segment Description	Federal Funding Source
San Jose, CA	North Segment (6.7 miles)	Sec 3/Sec 9
Atlanta, GA	Lakewood to Fort McPherson (1.9 miles) Lenox to Chamblee (4.2 miles)	Sec 3/Sec 9
Sacramento,CA	Northeast/East lines (18.3 miles)	Interstate Transfer
Portland, OR	Downtown to Gresham (15 miles)	Interstate Transfer/ Sec 3
Baltimore,MD	Reisterstown Plaza to Owings Mill (6 miles)	Interstate Transfer

SENATOR LAUTENBERG: What projects are under construction (using UMTA funds)

ANSWER: The information is provide below:

City	Project
Atlanta	MARTA Rapid Transit System
San Diego	San Diego Trolley Extension- Euclid to El Cajon
Los Angeles	Union Station to Alvarado Street
Houston	Northwest Busway- Interstate 610 to West Little York Road
Seattle	Downtown Bus Tunnel
San Jose	Guadalupe Corridor- South segment
Jacksonville	Automated Skyway Express

SECTION 9 -- FORMULA FUNDS

SENATOR LAUTENBERG: Are there unobligated Section 9 Formula funds?

ANSWER: As of February 29, 1988, there are $2,150.6 million of unobligated Section 9 Formula funds.

SENATOR LAUTENBERG: If so, in which fiscal years were these funds made available?

ANSWER: The fiscal years in which these unobligated Section 9 Formula funds were made available are provided below.

UNOBLIGATED SECTION 9 FORMULA FUNDS
as of February 29,1988

Fiscal Year	Unobligated Funds (in millions)
1984	$ 10.0
1985	93.4
1986	151.6
1987	365.5
1988	1,530.1
Total	$2,150.6

SENATOR LAUTENBERG: Why are these funds still unobligated?

ANSWER: The statutory life of the Section 9 formula apportionment is 4 years (year of apportionment plus 3 years). An examination against the specific FY 1984 Section 9 apportionment indicates that almost all areas fully obligated their specific year apportionment within the 4-year period. At the end of the first year 78% had been obligated, at the end of the second year 91% had been obligated, at the end of the third year 97% had been obligated, and at the end of the fourth year 99.9% had been obligated. In other words, at the end of the four-year period of availability for programming by urbanized areas, only one-tenth of one percent lapsed and was reapportioned to all urbanized areas.

In addition the trend of Section 9 unobligated balances has been decreasing in recent years as the appropriations levels have decreased and costs have increased. Thus, grantees have been using the available funds faster. The unobligated balances have been reduced from $930.7 million at the end of FY 1986 to $791.5 million at the end of FY 1987.

SENATOR LAUTENBERG: For this year, the continuing resolution made $805 million available for operating assistance. Have all these funds been obligated? If not, why not?

ANSWER: We anticipate that approximately 85% of the newly apportioned operating assistance funds will be obligated this fiscal year. The reasons that operating assistance is not fully utilized during its first year of availability include that (1) carryover funds remain available from past years and, (2) the time involved in completing an application after an Appropriations Act is signed. However, we expect all of these funds to be obligated before the 4-year expiration date of availability.

SENATOR LAUTENBERG: Are there operating assistance funds from prior years still unobligated? If so, how much?

ANSWER: As of February 29, 1988, the unobligated balance of operating assistance funds from prior fiscal years is provided below.

UNOBLIGATED SECTION 9
OPERATING ASSISTANCE FUNDS

Fiscal Year	Unobligated Funds (in millions)
1984	$ .4
1985	55.4
1986	88.8
1987	120.3
Total	$264.9

SENATOR LAUTENBERG: What amount of discretion does UMTA have in allocating Section 9 funds?

ANSWER: UMTA does not have any discretion in the allocation of Section 9 funds. Section 9 funds are apportioned, as specified by the law, to urbanized areas utilizing a formula accounting for population, population density, fixed guideway route miles, bus and fixed guideway vehicle revenue miles, bus and fixed guideway vehicle passenger miles, and operating costs.

Population and population density data are taken from the most recent decennial Census. Transit operating and financial statistics are submitted by the transit properties for the Section 15 Report. Our job is to make sure that the data is validated correctly before it is put into the formula.

Programs of projects proposed by grantees within the apportioned amounts, however, are reviewed by UMTA as to reasonableness. For example, we would not permit funding of a project which presumed a supplementary Section 3 discretionary capital grant until a decision had been reached with respect to the latter. We also question the replacement of vehicles before the expiration of their useful life; and in general the acquisition of vehicles with reference to intended fleet size and spare ratios.

SENATOR LAUTENBERG: Are all the Section 9 funds apportioned each year made available? (Briefly describe the process.)

ANSWER: After an Appropriations Act is signed, the apportionment of Section 9 funds is calculated based upon the statutory Section 9 formula and the Section 15 database. This apportionment is published in the Federal Register. Transit properties apply for these funds through a grant application process, and Federal requirements for eligibility and grant administration must be met.

UMTA has established a quarterly cycle for processing Section 9 grants. Applicants submit completed applications to the appropriate UMTA offices by the first day of each quarter. If the application is complete, UMTA obligates the funds and releases the grant by the end of the quarter.

All funds apportioned are made available through this process to the recipient for 4 years--the year apportioned plus 3 additional years. Any funds remaining unobligated by UMTA after 4 years are added to the amount

available for apportionment nationally in the succeeding fiscal year.

SENATOR LAUTENBERG: This year approximately half the formula funds are available for capital purposes. In previous years approximately 40 percent. What do transit authorities typically spend these funds on?

ANSWER: Formula funds available for capital purposes are spent for bus purchases, bus maintenance facilities and bus related items, rail modernization, and new start projects.

SENATOR LAUTENBERG. List the cities, amount, and project descriptions where formula funds were used for new start projects.

ANSWER: The following table displays the use of formula funds for new start projects for FY 1986 and FY 1987:

FY 1986 AND FY 1987 USE OF FORMULA FUNDS
FOR NEW START PROJECTS

CITY	PROJECT DESCRIPTION	AMOUNT
	1986	
Atlanta, GA	Brookhaven to Chamblee East Point to Airport	$14,007,400
Austin, TX	Purchase of Rail Right-of-Way	10,506,960
Miami, FL	Downtown Loop	88,000
Jacksonville, FL	Continued funding of the Automated Skyway Express (DPM) in conformance with full funding agreement	3,006,200
Detroit, MI	Continued construction of the Central Automated Transit System (CATS) in conformance with full funding agreement	33,086,264
Los Angeles, CA	Construct MOS-1. Union Station to Alvarado Street	49,500,000
San Diego, CA	Construct LRT Line. Euclid Avenue to El Cajon	17,853,432
San Jose, CA	Guadalupe LRT Construction. Downtown South to Santa Teresa	11,000,000
Sacramento, CA	Northest Line - Downtown to Watt Avenue and I-80	1,920,000
	Total	140,968,256
	FY 1987	
Los Angeles, CA	Construct Rapid Transit System Union Station to Alvarado Street	15,600,000
San Diego, CA	Construct LRT from Euclid Avenue to El Cajon	11,334,000
San Jose, Ca	Construct LRT from Downtown South to Santa Teresa	9,698,040
	Total	$36,632,040

SENATOR LAUTENBERG: List the capital use by category of formula funds for Fiscal Years 1986 and 1987 and estimated for Fiscal Year 1988.

ANSWER: The information follows:

FY 1986 - FY 1988 Capital Use of Formula Funds
By Category
(In Millions of Dollars)

Fiscal Year	Amount Available	Bus Purchases	Bus Maintenance Facility and Bus Related	Rail Modernization	New Start	Total Obligated	Percent of Available Obligated
FY 1986 (Actual)	3,067.6	353.8	416.3	353.3	141.0	1,264.4	41%
FY 1987 (Actual)	2,347.6	350.4	340.1	608.6	36.6	1,335.7	45%
FY 1988 (Estimated)	2,556.3	268.6	400.3	509.0	7.8	1,185.7	46%

Notes: (1) "Amount Available" does not include unobligated Section 9 discretionary funds.
(2) "Percent of Available Obligated" does not include operating assistance obligations.

SENATOR LAUTENBERG: List the unobligated balances of the formula grant program by urbanized area for the Fiscal Year 1988 funds and the 1987 funds.

ANSWER: The above question is answered in the following table.

URBAN MASS TRANSPORTATION ADMINISTRATION
SECTION 18 UNOBLIGATED BALANCES FOR FISCAL YEARS 1987 AND 1988
AS OF MAY 18 1988

URBANIZED AREA NAME	F F Y	APPORTIONMENT INITIAL	TOTAL NET TRANSFERS	NET OBLIGATIONS	UNOBLIGATED BALANCES
ALABAMA	87	1,791,024.00	0.00	1,791,024.00	0.00
ALASKA		194,890.00	0.00	194,890.00	0.00
AMERICAN SAMOA		27,177.00	0.00	0.00	27,177.00
ARIZONA		677,078.00	0.00	508,718.00	168,360.00
ARKANSAS		1,449,939.00	0.00	1,449,939.00	0.00
CALIFORNIA		3,241,861.00	0.00	3,241,861.00	0.00
COLORADO		734,527.00	0.00	734,527.00	0.00
CONNECTICUT		667,087.00	0.00	667,087.00	0.00
DELAWARE		190,827.00	0.00	190,827.00	0.00
FLORIDA		1,950,401.00	274,020.00	2,224,421.00	0.00
GEORGIA		2,406,508.00	0.00	2,406,508.00	0.00
GUAM		89,179.00	0.00	89,179.00	0.00
HAWAII		232,682.00	0.00	230,834.00	1,848.00
IDAHO		635,893.00	55,360.00	690,893.00	360.00
ILLINOIS		2,636,047.00	0.00	70.00	2,635,977.00
INDIANA		2,431,082.00	0.00	2,016,455.00	414,627.00
IOWA		1,667,769.00	-200,000.00	1,467,769.00	0.00
KANSAS		1,269,896.00	0.00	1,269,896.00	0.00
KENTUCKY		2,043,188.00	0.00	2,043,188.00	0.00
LOUISIANA		1,686,523.00	0.00	1,686,523.00	0.00
MAINE		736,706.00	85,900.00	822,606.00	0.00
MARYLAND		905,098.00	0.00	905,098.00	0.00
MASSACHUSETTS		1,087,477.00	0.00	1,087,477.00	0.00
MICHIGAN		2,928,611.00	0.00	2,928,611.00	0.00
MINNESOTA		1,701,494.00	0.00	1,700,653.00	841.00
MISSISSIPPI		1,625,641.00	0.00	243,846.00	1,381,795.00
MISSOURI		1,932,510.00	63,050.00	1,610,414.00	385,146.00
MONTANA		486,434.00	-9,088.00	477,346.00	0.00
MONTANA		0.00	5,752.00	5,752.00	0.00
MONTANA		0.00	3,336.00	3,336.00	0.00
NEBRASKA		787,350.00	0.00	650,122.00	137,228.00
NEVADA		172,783.00	0.00	172,783.00	0.00
NEW HAMPSHIRE		528,063.00	0.00	402,793.00	125,270.00
NEW JERSEY		903,093.00	0.00	903,093.00	0.00
NEW MEXICO		654,311.00	0.00	0.00	654,311.00
NEW YORK		3,168,750.00	0.00	3,168,750.00	0.00
NORTH CAROLINA		3,264,716.00	0.00	3,083,216.00	181,500.00

URBANIZED AREA NAME	F F Y	APPORTIONMENT INITIAL	TOTAL NET TRANSFERS	NET OBLIGATIONS	UNOBLIGATED BALANCES
NORTH DAKOTA		400,437.00	0.00	400,437.00	0.00
OHIO		3,584,211.00	322,632.00	3,051,993.00	854,850.00
OKLAHOMA		1,479,080.00	0.00	0.00	1,479,080.00
OREGON		1,148,515.00	-160,000.00	988,515.00	0.00
PENNSYLVANIA		3,951,281.00	0.00	3,951,281.00	0.00
PUERTO RICO		1,242,873.00	0.00	1,004,065.00	238,808.00
RHODE ISLAND		131,561.00	0.00	131,561.00	0.00
SOUTH CAROLINA		1,625,857.00	1,183,426.00	2,589,928.00	219,355.00
SOUTH DAKOTA		404,546.00	-1,974.00	402,572.00	0.00
SOUTH DAKOTA		0.00	1,974.00	1,974.00	0.00
TENNESSEE	87	2,107,587.00	0.00	2,107,583.00	4.00
TEXAS		4,292,238.00	0.00	4,292,237.00	1.00
TRUST TERR. OF PACIFIC		14,120.00	0.00	14,120.00	0.00
UTAH		346,178.00	0.00	346,178.00	0.00
VERMONT		365,982.00	0.00	347,167.00	18,815.00
VIRGIN ISLANDS		81,261.00	0.00	0.00	81,261.00
VIRGINIA		1,937,377.00	0.00	1,594,350.00	343,027.00
WASHINGTON		1,271,218.00	91,482.00	1,362,700.00	0.00
WEST VIRGINIA		1,301,149.00	0.00	1,301,149.00	0.00
WISCONSIN		1,993,547.00	0.00	1,755,423.00	238,124.00
WYOMING		296,066.00	0.00	296,066.00	0.00
FFY TOTAL		74,942,299.00	1,715,870.00	67,069,804.00	9,588,365.00
ALABAMA	88	1,555,611.00	0.00	0.00	1,555,611.00
ALASKA		169,273.00	0.00	0.00	169,273.00
AMERICAN SAMOA		23,605.00	0.00	0.00	23,605.00
ARIZONA		588,083.00	0.00	0.00	588,083.00
ARKANSAS		1,259,359.00	0.00	0.00	1,259,359.00
CALIFORNIA		2,815,749.00	0.00	2,815,749.00	0.00
COLORADO		433,360.00	0.00	0.00	433,360.00
COLORADO		204,620.00	0.00	0.00	204,620.00
CONNECTICUT		579,404.00	0.00	266,255.00	313,149.00
CONNECTICUT		0.00	0.00	0.00	0.00
DELAWARE		165,745.00	0.00	165,745.00	0.00
FLORIDA		1,694,039.00	750,000.00	0.00	2,444,039.00
GEORGIA		2,090,195.00	0.00	0.00	2,090,195.00
GUAM		77,457.00	0.00	0.00	77,457.00
HAWAII		202,098.00	0.00	0.00	202,098.00
IDAHO		552,311.00	0.00	552,311.00	0.00
ILLINOIS		2,289,564.00	0.00	0.00	2,289,564.00
INDIANA		2,111,539.00	0.00	0.00	2,111,539.00
IOWA		1,448,556.00	0.00	0.00	1,448,556.00

URBANIZED AREA NAME	F F Y	APPORTIONMENT INITIAL	TOTAL NET TRANSFERS	NET OBLIGATIONS	UNOBLIGATED BALANCES
KANSAS		1,102,980.00	0.00	1,102,969.00	11.00
KENTUCKY		1,774,630.00	0.00	0.00	1,774,630.00
LOUISIANA		1,404,845.00	0.00	0.00	1,404,845.00
MAINE		639,873.00	0.00	639,873.00	0.00
MARYLAND		786,131.00	0.00	0.00	786,131.00
MASSACHUSETTS		944,539.00	0.00	885,177.00	59,362.00
MICHIGAN		2,543,673.00	0.00	2,542,408.00	1,265.00
MINNESOTA		1,477,849.00	0.00	0.00	1,477,849.00
MISSISSIPPI		1,411,966.00	0.00	0.00	1,411,966.00
MISSOURI		1,678,500.00	0.00	0.00	1,678,500.00
MONTANA		422,497.00	0.00	0.00	422,497.00
NEBRASKA		683,860.00	0.00	0.00	683,860.00
NEVADA		150,072.00	0.00	0.00	150,072.00
NEW HAMPSHIRE		458,654.00	0.00	0.00	458,654.00

URBAN MASS TRANSPORTATION ADMINISTRATION
SECTION 9 UNOBLIGATED BALANCES FOR FISCAL YEARS 1987 AND 1988
AS OF MAY 18 1988

URBANIZED AREA NAME	F F Y	APPORTIONMENT INITIAL	TOTAL NET TRANSFERS	NET OBLIGATIONS	UNOBLIGATED BALANCES
AKRON, OH.	87	3,909,198.00	800,000.00	3,492,007.00	1,217,191.00
ALABAMA		4,708,571.00	0.00	436,231.00	4,272,340.00
ALASKA		956,763.00	0.00	956,763.00	0.00
ALBANY-SCHENECTADY-TROY, N.Y.		4,976,996.00	1,723,995.00	0.00	6,700,991.00
ALBUQUERQUE, N.M.		1,790,082.00	0.00	1,790,082.00	0.00
ALLENTOWN-BETH-EAST, PA.-N.J.		2,744,712.00	0.00	142,977.00	2,601,735.00
ANN ARBOR, MI.		2,199,073.00	0.00	2,199,073.00	0.00
ARIZONA		411,200.00	0.00	0.00	411,200.00
ARKANSAS		1,387,459.00	0.00	0.00	1,387,459.00
ATLANTA, GA.		24,192,896.00	0.00	24,192,896.00	0.00
AUGUSTA, GA.-S.C.		1,332,138.00	0.00	0.00	1,332,138.00
AUSTIN, TX.		3,647,456.00	0.00	0.00	3,647,456.00
BAKERSFIELD, CA.		1,991,864.00	0.00	1,119,620.00	872,244.00
BALTIMORE, MD.		21,715,422.00	0.00	21,707,920.00	7,502.00
BATON ROUGE, LA.		2,402,107.00	-1,859,760.00	542,347.00	0.00
BIRMINGHAM, AL.		3,846,906.00	0.00	3,846,906.00	0.00
BOSTON, MA.		55,529,243.00	0.00	55,529,243.00	0.00

URBANIZED AREA NAME	F F Y	APPORTIONMENT INITIAL	TOTAL NET TRANSFERS	NET OBLIGATIONS	UNOBLIGATED BALANCES
BRADENTON, FL.		1,938,814.00	0.00	0.00	1,938,814.00
BRIDGEPORT, CT.		4,767,812.00	0.00	4,248,571.00	519,241.00
BUFFALO, N.Y.		9,282,561.00	0.00	9,282,561.00	0.00
CALIFORNIA		14,525,877.00	0.00	9,597,534.00	4,928,343.00
CANTON, OH.		1,553,651.00	0.00	1,318,302.00	235,349.00
CHARLESTON, S.C.		2,046,956.00	0.00	0.00	2,046,956.00
CHARLOTTE, N.C.		2,862,637.00	0.00	2,862,637.00	0.00
CHATANOOGA, TN.-GA.		1,852,129.00	0.00	1,852,129.00	0.00
CHICAGO, IL.-NORTHWESTERN IN.		148,483,904.00	-2,672,893.00	138,609,165.00	7,201,846.00
CHICAGO, IL.-NORTHWESTERN IN.		8,392,910.00	2,672,893.00	6,539,941.00	4,525,862.00
CINCINNATI, OH.-KY.		10,588,796.00	0.00	10,583,692.00	5,104.00
CLEVELAND, OH.		20,554,656.00	0.00	20,554,656.00	0.00
COLORADO		3,112,863.00	0.00	1,675,396.00	1,437,467.00
COLORADO SPRINGS, CO.		2,232,739.00	0.00	1,127,606.00	1,105,133.00
COLUMBIA, S.C.		1,115,144.00	0.00	1,115,144.00	0.00
COLUMBUS, GA.-AL.		1,607,913.00	0.00	0.00	1,607,913.00
COLUMBUS, OH.		8,954,913.00	0.00	8,954,913.00	0.00
CONNECTICUT		13,646,446.00	0.00	10,833,948.00	2,812,498.00
CORPUS CHRISTI, TX.		1,399,104.00	0.00	758,838.00	640,266.00
DALLAS-FT. WORTH, TX.		19,631,571.00	0.00	14,533,971.00	5,097,600.00
DAVENPORT-ROCK ISL-MO, IA.-IL.		2,326,566.00	200,000.00	1,305,500.00	1,221,066.00
DAYTON, OH.		10,311,185.00	0.00	10,311,185.00	0.00
DENVER, CO.		15,281,208.00	0.00	15,281,208.00	0.00
DES MOINES, IA.		2,072,345.00	0.00	2,072,345.00	0.00
DETROIT, MI.		34,383,494.00	547,240.00	24,860,706.00	10,070,028.00
EL PASO, TX.		3,829,680.00	0.00	2,079,633.00	1,750,047.00
FAYETTEVILLE, N.C.		1,014,198.00	0.00	0.00	1,014,198.00
FLINT, MI.		2,297,388.00	0.00	1,517,367.00	780,021.00
FLORIDA		6,507,734.00	-274,020.00	3,654,796.00	2,578,918.00
FORT LAUDERDALE-HOLLYWOOD, FL.		7,967,622.00	0.00	7,967,622.00	0.00
FORT WAYNE, IN.		1,672,514.00	0.00	1,261,166.00	411,348.00
FRESNO, CA.		3,322,050.00	0.00	3,322,050.00	0.00
GEORGIA		3,624,602.00	0.00	0.00	3,624,602.00
GRAND RAPIDS, MI.		3,071,091.00	0.00	2,375,770.00	695,321.00
GREENVILLE, S.C.		1,493,365.00	0.00	626,298.00	867,067.00
HARRISBURG, PA.		1,881,906.00	0.00	1,881,832.00	74.00
HARTFORD, CT.		5,951,797.00	0.00	2,657,413.00	3,294,384.00
HAWAII		928,976.00	0.00	264,780.00	664,196.00
HONOLULU, HI.		15,349,846.00	0.00	13,239,133.00	2,110,713.00
HOUSTON, TX.		23,578,895.00	0.00	10,241,530.00	13,337,365.00
IDAHO		1,348,106.00	-55,360.00	1,020,778.00	271,968.00
ILLINOIS		8,942,159.00	0.00	6,305,682.00	2,636,477.00
INDIANA		5,508,009.00	219,666.00	3,707,782.00	2,019,893.00

URBANIZED AREA NAME	F F Y	APPORTIONMENT INITIAL	TOTAL NET TRANSFERS	NET OBLIGATIONS	UNOBLIGATED BALANCES
INDIANAPOLIS, IN.		6,247,867.00	0.00	6,247,866.00	1.00
IOWA		3,072,269.00	0.00	2,257,704.00	814,565.00
JACKSON, MS.		1,490,034.00	0.00	0.00	1,490,034.00
JACKSONVILLE, FL.		6,120,696.00	0.00	3,624,406.00	2,496,290.00
KANSAS		1,320,670.00	0.00	171,393.00	1,149,277.00
KANSAS CITY, MO.-KS.		6,830,354.00	0.00	6,830,354.00	0.00
KENTUCKY		2,794,038.00	0.00	999,059.00	1,794,979.00
KNOXVILLE, TN.		1,779,734.00	0.00	1,779,733.00	1.00
LANSING, MI.		2,087,517.00	0.00	1,345,228.00	742,289.00
LAS VEGAS, NV.		2,638,861.00	0.00	0.00	2,638,861.00
LAWRENCE-HAVERHILL, MA.-N.H.		2,397,811.00	-83,899.00	1,270,449.00	1,043,463.00
LAWRENCE-HAVERHILL, MA.-N.H.		0.00	83,899.00	13,687.00	70,212.00
LITTLE ROCK-N.LITTLE ROCK, AR.		2,023,462.00	0.00	1,198,951.00	824,511.00
LORAIN-ELYRIA, OH.		846,201.00	0.00	0.00	846,201.00
LOS ANGELES-LONG BEACH, CA.		121,854,171.00	0.00	121,854,171.00	0.00
LOUISIANA		3,263,489.00	905,956.00	0.00	4,169,445.00
LOUISVILLE, KY.-IN.		7,786,152.00	0.00	7,786,152.00	0.00
MADISON, WI.		3,360,291.00	0.00	2,237,856.00	1,122,435.00
MAINE		1,408,802.00	-116,287.00	1,026,353.00	266,162.00
MARYLAND		1,236,711.00	0.00	714,303.00	522,408.00
MASSACHUSETTS		6,163,496.00	0.00	4,727,808.00	1,435,688.00
MELBOURNE-COCOA, FL.		935,879.00	0.00	935,336.00	543.00
MEMPHIS, TN.-AR.-MS.		6,702,453.00	0.00	4,185,666.00	2,516,787.00
MIAMI, FL.		20,469,216.00	0.00	20,469,216.00	0.00
MICHIGAN		5,484,618.00	-426,080.00	3,252,730.00	1,805,808.00
MILWAUKEE, WI.		14,067,581.00	0.00	11,804,532.00	2,263,049.00
MINNEAPOLIS-ST. PAUL, MN.		18,155,697.00	0.00	18,155,697.00	0.00
MINNESOTA		1,863,124.00	0.00	1,369,527.00	493,597.00
MISSISSIPPI		1,767,119.00	0.00	98,000.00	1,669,119.00
MISSOURI		2,177,962.00	-63,050.00	1,225,175.00	889,737.00
MOBILE, AL.		1,732,623.00	0.00	321,299.00	1,411,324.00
MONTANA		1,576,016.00	0.00	1,135,221.00	440,795.00
NASHVILLE-DAVIDSON, TN.		3,921,659.00	0.00	3,921,659.00	0.00
NEBRASKA		1,483,329.00	0.00	993,819.00	489,510.00
NEVADA		1,193,070.00	0.00	1,136,552.00	56,518.00
NEW HAMPSHIRE		1,783,782.00	30,387.00	697,473.00	1,116,696.00
NEW HAVEN, CT.		5,053,788.00	0.00	2,189,118.00	2,864,670.00
NEW JERSEY		1,398,490.00	0.00	1,398,490.00	0.00
NEW MEXICO		676,292.00	0.00	360,745.00	315,547.00
NEW ORLEANS, LA.		12,960,207.00	953,804.00	7,140,571.00	6,773,440.00
NEW YORK		4,458,751.00	4.00	1,830,160.00	2,628,595.00
NEW YORK, N.Y.-NORTHEASTERN NJ		0.00	108,128,874.00	100,096,219.00	8,032,655.00
NEW YORK, N.Y.-NORTHEASTERN NJ		481,991,589.00	-108,128,874.00	352,955,348.00	20,907,367.00

URBANIZED AREA NAME	F F Y	APPORTIONMENT INITIAL	TOTAL NET TRANSFERS	NET OBLIGATIONS	UNOBLIGATED BALANCES
NEWPORT NEWS-HAMPTON, VA.		2,252,519.00	0.00	2,252,519.00	0.00
NORFOLK-PORTSMOUTH, VA.		7,596,886.00	0.00	7,596,886.00	0.00
NORTH CAROLINA		7,641,324.00	0.00	0.00	7,641,324.00
NORTH DAKOTA		1,339,722.00	0.00	655,123.00	684,599.00
OGDEN, UT.		1,866,856.00	0.00	1,866,856.00	0.00
OHIO		4,339,502.00	-1,122,632.00	843,451.00	2,373,419.00
OKLAHOMA		945,016.00	0.00	0.00	945,016.00
OKLAHOMA CITY, OK.		3,622,415.00	0.00	0.00	3,622,415.00
OMAHA, NE.-IA.		4,808,209.00	0.00	4,808,209.00	0.00
OREGON		3,019,901.00	160,000.00	3,179,901.00	0.00
ORLANDO, FL.		4,163,497.00	0.00	4,163,497.00	0.00
OXNARD-VENTURA-1,000 OAKS, CA.		2,187,934.00	0.00	139,676.00	2,048,258.00
PENNSYLVANIA		8,647,220.00	0.00	6,075,899.00	2,571,321.00
PENSACOLA, FL.		1,175,693.00	0.00	0.00	1,175,693.00
PEORIA, IL.		1,872,963.00	0.00	591,478.00	1,281,485.00
PHILADELPHIA, PA.-N.J.		84,593,431.00	0.00	84,593,431.00	0.00
PHOENIX, AZ.		9,583,781.00	0.00	6,773,599.00	2,810,182.00
PITTSBURGH, PA.		28,091,465.00	0.00	28,091,465.00	0.00
PORTLAND, OR.-WA.		13,161,450.00	0.00	5,064,116.00	8,097,334.00
PROVIDENCE-PAW-WAR, MA.-R.I.		0.00	590,133.00	590,133.00	0.00
PROVIDENCE-PAW-WAR, MA.-R.I.		11,835,705.00	-590,133.00	4,912,244.00	6,333,328.00
PUERTO RICO		6,041,760.00	-907,771.00	253,990.00	4,879,999.00
RALEIGH, N.C.		1,536,161.00	0.00	616,031.00	920,130.00
RHODE ISLAND		480,745.00	0.00	366,976.00	113,769.00
RICHMOND, VA.		4,791,637.00	0.00	3,643,623.00	1,148,014.00
ROCHESTER, N.Y.		6,102,073.00	-4.00	6,102,069.00	0.00
ROCKFORD, IL.		1,505,839.00	0.00	1,469,565.00	36,274.00
SACRAMENTO, CA.		7,628,808.00	0.00	4,570,982.00	3,057,826.00
SALT LAKE CITY, UT.		7,061,807.00	0.00	7,061,807.00	0.00
SAN ANTONIO, TX.		12,262,772.00	0.00	8,427,692.00	3,835,080.00
SAN BERNARDINO-RIVERSIDE, CA.		5,386,002.00	0.00	3,138,821.00	2,247,181.00
SAN DIEGO, CA.		20,672,663.00	0.00	20,672,663.00	0.00
SAN FRANCISCO-OAKLAND, CA.		81,045,527.00	0.00	81,045,527.00	0.00
SAN JOSE, CA.		17,148,439.00	0.00	17,148,439.00	0.00
SAN JUAN, P.R.		11,787,511.00	907,771.00	9,104,621.00	3,590,661.00
SCRANTON-WILKES BARRE, PA.		3,063,670.00	0.00	2,722,365.00	341,305.00
SEATTLE-EVERETT, WA.		24,882,710.00	0.00	24,882,710.00	0.00
SHREVEPORT, LA.		2,031,160.00	0.00	1,222,201.00	808,959.00
SOUTH BEND, IN.-MI.		2,032,496.00	-219,666.00	1,496,570.00	316,260.00
SOUTH CAROLINA		1,510,446.00	-1,183,426.00	327,020.00	0.00
SOUTH DAKOTA		959,465.00	0.00	123,249.00	836,216.00
SPOKANE, WA.		3,523,493.00	0.00	2,637,498.00	885,995.00

URBANIZED AREA NAME	F F Y	APPORTIONMENT INITIAL	TOTAL NET TRANSFERS	NET OBLIGATIONS	UNOBLIGATED BALANCES
SPRINGFIELD-CHIC-HOLY, MA.-CT.		0.00	478,359.00	267,759.00	210,600.00
SPRINGFIELD-CHIC-HOLY, MA.-CT.		4,196,135.00	-478,359.00	3,717,776.00	0.00
ST. LOUIS, MO.-IL.		16,179,675.00	0.00	10,812,021.00	5,367,654.00
ST. PETERSBURG, FL.		6,750,735.00	0.00	6,750,728.00	7.00
SYRACUSE, N.Y.		4,383,750.00	-1,723,995.00	2,185,443.00	474,312.00
TACOMA, WA.		5,361,835.00	0.00	1,915,123.00	3,446,712.00
TAMPA, FL.		5,368,979.00	0.00	4,770,468.00	598,511.00
TENNESSEE		1,643,653.00	0.00	0.00	1,643,653.00
TEXAS		15,118,767.00	0.00	0.00	15,118,767.00
TOLEDO, OH.-MI.		4,901,885.00	-121,160.00	2,553,866.00	2,226,859.00
TRENTON, N.J.-PA.		3,091,871.00	0.00	3,009,871.00	82,000.00
TUCSON, AZ.		5,516,407.00	0.00	4,303,584.00	1,212,823.00
TULSA, OK.		2,986,042.00	0.00	1,825,292.00	1,160,750.00
UTAH		1,225,334.00	0.00	1,149,573.00	75,761.00
VERMONT		477,767.00	0.00	477,767.00	0.00
VIRGINIA		3,424,489.00	0.00	2,582,859.00	841,630.00
WASHINGTON		2,886,062.00	-91,482.00	1,136,628.00	1,657,952.00
WASHINGTON, D.C.-MD.-VA.		56,884,486.00	0.00	56,884,486.00	0.00
WEST PALM BEACH, FL.		3,152,972.00	0.00	1,695,284.00	1,457,688.00
WEST VIRGINIA		3,153,578.00	0.00	1,900,196.00	1,253,382.00
WICHITA, KS.		2,266,619.00	0.00	0.00	2,266,619.00
WILMINGTON, DE.-N.J.-MD.		3,023,732.00	0.00	2,989,663.00	34,069.00
WISCONSIN		7,170,607.00	0.00	4,110,364.25	3,060,242.75
WORCESTER, MA.		2,234,819.00	0.00	2,234,819.00	0.00
WYOMING		900,491.00	0.00	0.00	900,491.00
YOUNGSTOWN-WARREN, OH.		2,124,922.00	0.00	1,763,348.00	361,574.00
FFY TOTAL		1,942,156,374.00	-1,715,870.00	1,654,383,491.25	286,057,012.75
AKRON, OH.	88	3,382,352.00	0.00	1,053,925.00	2,328,427.00
ALABAMA		4,059,737.00	0.00	0.00	4,059,737.00
ALASKA		823,198.00	0.00	0.00	823,198.00
ALBANY-SCHENECTADY-TROY, N.Y.		4,641,968.00	0.00	0.00	4,641,968.00
ALBUQUERQUE, N.M.		2,752,539.00	0.00	0.00	2,752,539.00
ALLENTOWN-BETH-EAST, PA.-N.J.		2,289,158.00	0.00	0.00	2,289,158.00
ANN ARBOR, MI.		2,032,164.00	0.00	1,193,226.00	838,938.00
ARIZONA		354,537.00	0.00	0.00	354,537.00
ARKANSAS		1,196,269.00	0.00	0.00	1,196,269.00
ATLANTA, GA.		21,520,210.00	0.00	16,091,034.00	5,429,176.00
AUGUSTA, GA.-S.C.		1,093,923.00	0.00	0.00	1,093,923.00
AUSTIN, TX.		4,022,823.00	0.00	0.00	4,022,823.00
BAKERSFIELD, CA.		1,693,481.00	0.00	477,940.00	1,215,541.00
BALTIMORE, MD.		19,198,167.00	0.00	0.00	19,198,167.00

URBANIZED AREA NAME	F F Y	APPORTIONMENT INITIAL	TOTAL NET TRANSFERS	NET OBLIGATIONS	UNOBLIGATED BALANCES
BATON ROUGE, LA.	88	2,046,886.00	953,804.00	727,641.00	2,273,049.00
BIRMINGHAM, AL.		3,342,777.00	0.00	674,431.00	2,668,346.00
BOSTON, MA.		49,150,292.00	0.00	49,075,292.00	75,000.00
BRADENTON, FL.		1,641,898.00	0.00	0.00	1,641,898.00
BRIDGEPORT, CT.		3,573,869.00	0.00	1,678,926.00	1,894,943.00
BUFFALO, N.Y.		8,506,396.00	0.00	8,506,396.00	0.00
CALIFORNIA		12,524,232.00	0.00	724,769.00	11,799,463.00
CANTON, OH.		1,334,957.00	0.00	1,162,425.00	172,532.00
CHARLESTON, S.C.		1,755,081.00	0.00	0.00	1,755,081.00
CHARLOTTE, N.C.		2,459,943.00	0.00	1,544,288.00	915,655.00
CHATANOOGA, TN.-GA.		1,637,357.00	0.00	1,637,354.00	3.00
CHICAGO, IL.-NORTHWESTERN IN.		133,490,604.00	0.00	45,684,990.00	87,805,614.00
CINCINNATI, OH.-KY.		8,575,255.00	0.00	7,136,327.00	1,438,928.00
CLEVELAND, OH.		17,554,995.00	0.00	9,953,010.00	7,601,985.00
COLORADO		2,683,914.00	0.00	1,294,489.00	1,389,425.00
COLORADO SPRINGS, CO.		883,444.00	0.00	0.00	883,444.00
COLUMBIA, S.C.		1,683,092.00	0.00	0.00	1,683,092.00
COLUMBUS, GA.-AL.		1,192,804.00	0.00	0.00	1,192,804.00
COLUMBUS, OH.		7,765,359.00	0.00	5,986,788.00	1,778,571.00
CONNECTICUT		11,693,786.00	0.00	6,542,483.00	5,151,303.00
CORPUS CHRISTI, TX.		1,393,557.00	0.00	0.00	1,393,557.00
DALLAS-FT. WORTH, TX.		17,395,171.00	0.00	664,713.00	16,730,458.00
DAVENPORT-ROCK ISL-MO, IA.-IL.		2,075,118.00	0.00	624,565.00	1,450,553.00
DAYTON, OH.		8,240,369.00	0.00	5,621,051.00	2,619,318.00
DENVER, CO.		13,486,141.00	0.00	13,182,898.00	303,243.00
DES MOINES, IA.		1,839,453.00	0.00	1,428,939.00	410,514.00
DETROIT, MI.		21,912,106.00	367,367.00	22,212,908.00	66,565.00
EL PASO, TX.		4,036,296.00	0.00	1,833,735.00	2,202,561.00
FAYETTEVILLE, N.C.		848,988.00	0.00	0.00	848,988.00
FLINT, MI.		2,047,255.00	0.00	0.00	2,047,255.00
FLORIDA		5,610,978.00	-750,000.00	641,089.00	4,219,889.00
FORT LAUDERDALE-HOLLYWOOD, FL.		7,044,243.00	0.00	5,484,369.00	1,559,874.00
FORT WAYNE, IN.		1,485,751.00	0.00	1,020,634.00	465,117.00
FRESNO, CA.		2,909,302.00	0.00	2,485,185.00	424,117.00
GEORGIA		3,125,137.00	0.00	0.00	3,125,137.00
GRAND RAPIDS, MI.		2,455,894.00	0.00	1,581,761.00	874,133.00
GREENVILLE, S.C.		1,350,650.00	0.00	122,055.00	1,228,595.00
HARRISBURG, PA.		1,740,609.00	0.00	71,851.00	1,668,758.00
HARTFORD, CT.		5,048,104.00	0.00	2,178,198.00	2,869,906.00
HAWAII		800,965.00	0.00	0.00	800,965.00
HONOLULU, HI.		13,378,146.00	0.00	0.00	13,378,146.00
HOUSTON, TX.		20,181,592.00	0.00	0.00	20,181,592.00
IDAHO		1,162,338.00	0.00	206,716.00	955,622.00

URBANIZED AREA NAME	F F Y	APPORTIONMENT INITIAL	TOTAL NET TRANSFERS	NET OBLIGATIONS	UNOBLIGATED BALANCES
ILLINOIS		7,709,942.00	0.00	5,150,992.00	2,558,950.00
INDIANA		4,749,013.00	188,226.00	0.00	4,937,239.00
INDIANAPOLIS, IN.		5,233,481.00	0.00	0.00	5,233,481.00
IOWA		2,648,914.00	0.00	875,016.00	1,773,898.00
JACKSON, MS.		1,303,257.00	0.00	0.00	1,303,257.00
JACKSONVILLE, FL.		3,829,670.00	0.00	0.00	3,829,670.00
KANSAS		1,138,683.00	0.00	0.00	1,138,683.00
KANSAS CITY, MO.-KS.		6,068,996.00	0.00	6,068,994.00	2.00
KENTUCKY		2,409,024.00	0.00	0.00	2,409,024.00
KNOXVILLE, TN.		1,486,630.00	0.00	1,486,627.00	3.00
LANSING, MI.		1,853,530.00	0.00	1,186,167.00	667,363.00
LAS VEGAS, NV.		1,504,491.00	0.00	0.00	1,504,491.00
LAWRENCE-HAVERHILL, MA.-N.H.		1,228,049.00	0.00	350,427.00	877,622.00
LITTLE ROCK-N.LITTLE ROCK, AR.		1,748,658.00	0.00	0.00	1,748,658.00
LORAIN-ELYRIA, OH.		653,996.00	0.00	0.00	653,996.00
LOS ANGELES-LONG BEACH, CA.		101,873,622.00	0.00	61,303,925.00	40,569,697.00
LOUISIANA		2,813,785.00	0.00	0.00	2,813,785.00
LOUISVILLE, KY.-IN.		6,789,420.00	0.00	4,658,829.00	2,130,591.00
MADISON, WI.		2,953,027.00	0.00	0.00	2,953,027.00
MAINE		1,214,671.00	-9,861.00	0.00	1,204,810.00
MARYLAND		1,066,295.00	0.00	0.00	1,066,295.00
MASSACHUSETTS		5,314,175.00	0.00	2,076,356.00	3,237,819.00
MELBOURNE-COCOA, FL.		1,061,533.00	0.00	0.00	1,061,533.00
MEMPHIS, TN.-AR.-MS.		6,005,135.00	0.00	3,690,744.00	2,314,391.00
MIAMI, FL.		18,120,358.00	0.00	11,527,220.00	6,593,138.00
MICHIGAN		4,728,845.00	-367,367.00	2,051,914.00	2,309,564.00
MILWAUKEE, WI.		12,293,236.00	0.00	0.00	12,293,236.00
MINNEAPOLIS-ST. PAUL, MN.		14,550,748.00	0.00	14,550,748.00	0.00
MINNESOTA		1,606,388.00	0.00	1,029,156.00	577,232.00
MISSISSIPPI		1,523,612.00	0.00	0.00	1,523,612.00
MISSOURI		1,877,842.00	0.00	735,514.00	1,142,328.00
MOBILE, AL.		1,475,160.00	0.00	0.00	1,475,160.00
MONTANA		1,358,844.00	0.00	287,389.00	1,071,455.00
NASHVILLE-DAVIDSON, TN.		3,224,984.00	0.00	1,711,176.00	1,513,808.00
NEBRASKA		1,278,928.00	0.00	1,124,670.00	154,258.00
NEVADA		1,028,666.00	0.00	0.00	1,028,666.00
NEW HAMPSHIRE		1,537,980.00	9,861.00	0.00	1,547,841.00
NEW HAVEN, CT.		4,239,542.00	0.00	1,856,931.00	2,382,611.00
NEW JERSEY		1,205,780.00	0.00	919,196.00	286,584.00
NEW MEXICO		583,100.00	0.00	142,033.00	441,067.00
NEW ORLEANS, LA.		11,578,197.00	-953,804.00	0.00	10,624,393.00
NEW YORK		3,844,342.00	0.00	586,381.00	3,257,961.00
NEW YORK, N.Y.-NORTHEASTERN NJ		0.00	92,562,488.00	88,095,781.00	4,466,707.00

URBANIZED AREA NAME	F F Y	APPORTIONMENT INITIAL	TOTAL NET TRANSFERS	NET OBLIGATIONS	UNOBLIGATED BALANCES
NEW YORK, N.Y.-NORTHEASTERN NJ		419,582,606.00	-92,562,488.00	260,575,423.00	66,444,695.00
NEWPORT NEWS-HAMPTON, VA.		1,952,379.00	0.00	1,695,505.00	256,874.00
NORFOLK-PORTSMOUTH, VA.		5,753,868.00	0.00	4,566,384.00	1,187,484.00
NORTH CAROLINA		6,588,360.00	0.00	0.00	6,588,360.00
NORTH DAKOTA		1,155,111.00	0.00	313,809.00	841,302.00
OGDEN, UT.		1,584,112.00	0.00	1,584,112.00	0.00
OHIO		3,741,525.00	0.00	0.00	3,741,525.00
OKLAHOMA		814,794.00	0.00	0.00	814,794.00
OKLAHOMA CITY, OK.		2,987,519.00	0.00	0.00	2,987,519.00
OMAHA, NE.-IA.		4,054,040.00	0.00	2,604,966.00	1,449,074.00
OREGON		2,603,763.00	0.00	2,596,902.00	6,861.00
ORLANDO, FL.		3,753,534.00	0.00	2,051,239.00	1,702,295.00
OXNARD-VENTURA-1,000 OAKS, CA.		1,874,389.00	0.00	0.00	1,874,389.00
PENNSYLVANIA		7,455,645.00	0.00	0.00	7,455,645.00
PENSACOLA, FL.		1,075,393.00	0.00	0.00	1,075,393.00
PEORIA, IL.		1,553,486.00	0.00	0.00	1,553,486.00
PHILADELPHIA, PA.-N.J.		75,142,871.00	0.00	37,884,180.00	37,258,691.00
PHOENIX, AZ.		7,282,962.00	0.00	0.00	7,282,962.00
PITTSBURGH, PA.		22,653,699.00	0.00	20,533,035.00	2,120,664.00
PORTLAND, OR.-WA.		11,249,304.00	0.00	4,108,766.00	7,140,538.00
PROVIDENCE-PAW-WAR, MA.-R.I.		10,589,116.00	0.00	4,331,416.00	6,257,700.00
PUERTO RICO		5,209,214.00	0.00	0.00	5,209,214.00
RALEIGH, N.C.		1,283,176.00	0.00	0.00	1,283,176.00
RHODE ISLAND		414,499.00	0.00	342,525.00	71,974.00
RICHMOND, VA.		4,273,454.00	0.00	1,977,018.00	2,296,436.00
ROCHESTER, N.Y.		5,138,054.00	0.00	2,771,065.00	2,366,989.00
ROCKFORD, IL.		844,921.00	0.00	680,974.00	163,947.00
SACRAMENTO, CA.		6,429,368.00	0.00	3,335,932.00	3,093,436.00
SALT LAKE CITY, UT.		6,161,303.00	0.00	6,161,303.00	0.00
SAN ANTONIO, TX.		10,376,404.00	0.00	0.00	10,376,404.00
SAN BERNARDINO-RIVERSIDE, CA.		4,747,571.00	0.00	2,591,821.00	2,155,750.00
SAN DIEGO, CA.		18,194,538.00	0.00	12,460,020.00	5,734,518.00
SAN FRANCISCO-OAKLAND, CA.		71,387,542.00	0.00	69,890,450.00	1,497,092.00
SAN JOSE, CA.		14,875,500.00	0.00	10,973,540.00	3,901,960.00
SAN JUAN, P.R.		10,413,605.00	0.00	7,754,477.00	2,659,128.00
SCRANTON-WILKES BARRE, PA.		2,429,336.00	0.00	1,564,861.00	864,475.00
SEATTLE-EVERETT, WA.		25,218,609.00	0.00	150,000.00	25,068,609.00
SHREVEPORT, LA.		1,718,844.00	0.00	1,077,687.00	641,157.00
SOUTH BEND, IN.-MI.		1,708,300.00	-188,226.00	0.00	1,520,074.00
SOUTH CAROLINA		1,302,309.00	-1,060,113.00	50,000.00	192,196.00
SOUTH DAKOTA		827,252.00	0.00	6,056.00	821,196.00
SPOKANE, WA.		2,954,603.00	0.00	0.00	2,954,603.00
SPRINGFIELD-CHIC-HOLY, MA.-CT.		3,641,006.00	0.00	1,461,672.00	2,179,334.00

URBANIZED AREA NAME	F F Y	APPORTIONMENT INITIAL	TOTAL NET TRANSFERS	NET OBLIGATIONS	UNOBLIGATED BALANCES
ST. LOUIS, MO.-IL.		14,960,246.00	0.00	0.00	14,960,246.00
ST. PETERSBURG, FL.		5,722,014.00	0.00	0.00	5,722,014.00
SYRACUSE, N.Y.		3,666,446.00	0.00	0.00	3,666,446.00
TACOMA, WA.		4,189,174.00	0.00	1,590,485.00	2,598,689.00
TAMPA, FL.		4,633,999.00	0.00	1,970,219.00	2,663,780.00
TENNESSEE		1,417,160.00	0.00	0.00	1,417,160.00
TEXAS		13,035,421.00	0.00	0.00	13,035,421.00
TOLEDO, OH.-MI.		4,063,268.00	0.00	2,355,695.00	1,707,573.00
TRENTON, N.J.-PA.		2,648,924.00	0.00	2,028,857.00	620,067.00
TUCSON, AZ.		4,770,765.00	0.00	1,699,875.00	3,070,890.00
TULSA, OK.		2,498,103.00	0.00	1,609,468.00	888,635.00
UTAH		1,056,484.00	0.00	220,819.00	835,665.00
VERMONT		411,931.00	0.00	411,931.00	0.00
VIRGINIA		2,952,600.00	0.00	0.00	2,952,600.00
WASHINGTON		2,488,367.00	0.00	0.00	2,488,367.00
WASHINGTON, D.C.-MD.-VA.		51,449,987.00	0.00	15,821,597.00	35,628,390.00
WEST PALM BEACH, FL.		2,772,234.00	0.00	0.00	2,772,234.00
WEST VIRGINIA		2,719,020.00	0.00	0.00	2,719,020.00
WICHITA, KS.		1,935,269.00	0.00	0.00	1,935,269.00
WILMINGTON, DE.-N.J.-MD.		2,554,658.00	0.00	2,472,636.00	82,022.00
WISCONSIN		6,182,508.00	0.00	1,598,911.00	4,583,597.00
WORCESTER, MA.		1,977,972.00	0.00	1,876,590.00	101,382.00
WYOMING		776,405.00	0.00	0.00	776,405.00
YOUNGSTOWN-WARREN, OH.		1,810,961.00	0.00	1,810,961.00	0.00
FFY TOTAL		1,674,529,979.00	-1,810,113.00	933,535,769.00	739,184,097.00
FINAL TOTAL		3,616,686,353.00	-3,525,983.00	2,587,919,260.25	1,025,241,109.75

Note: The urbanized areas that are in more than one state will have duplicate entries. The order of the sequence is determined by the alphabetical order of the state. For example, the first entry for Chicago, IL.-Northwestern IN. represents the Chicago, Illinois, portion of that UZA.

SENATOR LAUTENBERG: List the urbanized areas without mass transit service which were entitled to receive Section 9 funds. What was each area apportioned for Fiscal Years 1986, 1987, and 1988?

ANSWER: A recent survey of UMTA's regional offices revealed that the following UZA's did not have a conventional transit service in FY 1987. All these areas are under 200,000 population, and the apportionment attributable to all areas of this size within each State is made to the Governor, who may allocate the resource among them. The table shows the apportionment attributable to each of the non-transit areas under the Section 9 formula for the years requested.

URBANIZED AREAS WITHOUT CONVENTIONAL MASS TRANSIT SERVICE

		APPORTIONMENT		
REGION	UZA	FY 1986	FY 1987	FY 1988
III	Steubenville - Weirton, OH.-PA.-WV.	200,665	193,935	173,727
	Jacksonville, NC.	415,492	401,557	359,714
	Concord, NC.	423,642	409,433	366,770
	Burlington, NC.	424,763	410,517	367,740
	Goldsboro, NC.	330,734	319,641	286,334
	Rock Hills, SC.	302,822	292,666	262,170
IV	Anniston, AL.	422,997	408,810	366,211
	Dothan, AL.	269,986	260,930	233,741
	Fort Walton Beach, FL.	522,213	504,698	452,107
	Winter Haven, FL.	466,571	450,923	403,936
	Fort Pierce, FL.	416,761	402,783	360,812
	Naples, FL.	298,215	288,212	258,180
	Panama City, FL.	297,248	461,482	413,395
	Warner Robins, GA.	377,409	364,750	326,743
V	Kokomo, IN.	536,052	518,073	464,089
VI	Fayetteville-Springdale, AR.	341,508	330,054	295,661
	Houma, LA.	390,163	377,077	337,786
	Fort Smith, OKLA.	11,886	11,488	10,291
	Lawton, OKLA.	652,074	630,203	564,537
	Bryan-College Station, TX.	556,015	537,366	481,371
	Harlingen-San Benito, TX.	434,700	420,120	376,343
	Killeen, TX.	662,840	640,608	573,856
	Longview, TX.	416,905	402,922	360,937
	McAllen, TX.	1,264,512	1,222,099	1,094,739
	Odessa, TX.	772,578	746,665	668,862
	Temple, TX.	298,669	288,652	258,574
	Texarkana, TX.	285,630	276,050	247,285
	Texas City, TX.	575,545	556,242	498,280
	Tyler, TX.	525,841	508,204	455,249
	Victoria, TX.	410,715	396,939	355,578
VII	Joplin, MO.	321,747	310,956	278,553
VIII	Bismarck-Mandan, N.D.	441,767	426,950	382,461
	Cheyenne, WY.	435,317	420,717	376,876
IX	Yuma, AZ.	425,470	412,200	368,352

RAIL MODERNIZATION

SENATOR LAUTENBERG: UMTA has historically distributed rail modernization funds out of the Trust Fund using "historical parameters". What are historical parameters? How were they established? Have the percentage distributions remained relatively constant?

ANSWER: UMTA has traditionally allocated rail modernization funds to eligible recipients on the basis of the size of their system based upon various service parameters. These parameters included route miles, car miles, train miles, seat miles, vehicles in service, number of stations and ridership.

These parameters established a base for the percentage distribution of rail modernization funds. These percentages have remained fairly constant over time.

SENATOR LAUTENBERG: List the amount and percent distribution of rail modernization funds for fiscal years 1986, 1987 and to date for 1988. Along with this provide the amount and percent of its Section 9 funds each area spent on rail modernization needs for the same period of time.

ANSWER: The information is provided below (FY 1988 data is preliminary at this time and is not included):

(IN MILLIONS OF DOLLARS)

UZA (GRANTEE)	SEC 3 OBG	% OF OBG	FY 86 FORM. OBG	% OF ALLOC	//////// TOTAL	SEC 3 OBG	% OF OBG	FY 87 FORM. OBG	% OF ALLOC	TOTAL OBG
BOSTON, MA (MBTA)	69.6	15%	41.2	96%	110.8	13.1	4%	34.8	100%	47.9
NEW YORK (MTA/NYCTA)	122.8	25%	67.9	61%	190.7	120.2	38%	285.2	90%	405.4
NE NEW JERSEY (NJT)	35.7	8%	46.5	47%	83.2	46.3	15%	25.6	36%	71.9
SW CONNECTICUT (CONNDOT)	0	0%	14.9	45%	14.9	27.0	8%	1.4	3%	28.4
PHILADELPHIA, PA (SEPTA, DRPA)	91.9	19%	34.1	67%	126.0	52.5	16%	45.3	100%	97.8
PITTSBURGH, PA (PAT)	0	0%	10.2	99%	10.2	3.6	1%	14.6	42%	18.2
CHICAGO, IL (CTA/CSB, NIRPC)	66.7	14%	64.5	63%	131.2	34.1	11%	57.5	67%	106.6
CLEVELAND, OH (GCRTA)	11.3	2%	1.1	17%	12.4	0	0%	6.6	48%	6.6
SAN FRANCISCO, CA (BART, MUNI, CALTRAIN)	47.0	10%	45.6	50%	92.6	28.0	7%	15.0	35%	43.0
OTHERS	33.0	7%	27.4	8%	60.4	0	0%	25.0	8%	25.0
GRAND TOTALS	478.0	100%	353.4	/////	832.4	366.04	100%	560.6	/////	927.4

HUDSON RIVER WATERFRONT PROJECT

SENATOR LAUTENBERG: It was estimated that the total costs of transit improvements for the Hudson River Waterfront could be as much as $400 million. Is UMTA familiar with that figure, and, if so, what is the amount (or percentage) that is expected from the private sector?

ANSWER: UMTA has not received any official cost estimates for the Hudson River Waterfront improvements, but conversations with local staff and newspaper articles indicate that very preliminary cost estimates would be in the range of $900 million to $1.3 billion.

We have not received a written estimate of the private sector's proposed contribution toward this project. However, conversations with local staff indicate that they are expecting very modest private sector contributions for this transit project. Local staff have indicated that the private sector's contribution is likely to be much more substantial for other types of infrastructure improvements, including wastewater treatment and middle-income housing.

SENATOR LAUTENBERG: Have you been approached by New Jersey Transit about additional Federal funds?

ANSWER: We have not received a request for additional funds and do not expect one in the immediate future since the project has not been developed sufficiently to warrant such a request.

SECAUCUS TRANSFER

SENATOR LAUTENBERG: One of the priorities for New Jersey Transit is the Secaucus transfer (also called Allied Junction). What has been UMTA's involvement in this project?

ANSWER: The UMTA involvement includes the award of two grants to New Jersey Transit. One grant was in the amount of $500,000 to initiate the site planning and environmental work for a proposed, privately financed and operated transit transfer station at Allied Junction. The station is being proposed as an integral part of the Allied Junction Corporation's mixed-use development in the Meadowlands, and is proposed to be financed by the Allied Junction Corporation without any Federal funding. Another grant was in the amount of $3.762 million to conduct preliminary engineering for all track work on the Bergen, Main, Passaic Valley, and Northeast Corridor railroad lines and parking facilities. These lines all converge at Allied Junction. The track work and parking facilities would enable convenient transfer from the lines at the proposed new station.

SENATOR LAUTENBERG: The "Transfer Project" is another example of private involvement in developing transit facilities. Do you have an estimate on the total costs of the Secaucus transfer project and how much would be paid for by private concerns?

ANSWER: The Secaucus Transfer/Allied Junction project is estimated to cost a total of $286.4 million. This estimate includes about $35 million for the transfer station and $251.4 million for the associated track work and parking facilities. Private concerns are expected to pay the estimated $35 million for construction of the transfer station.

SENATOR LAUTENBERG: What would be the Federal Share on this project and what would be the source of Federal funds?

ANSWER: The Federal share on this project has not been established. If UMTA chooses to participate in the non-station costs of the project, the Federal share would not exceed 75 per cent. If New Jersey chooses to use its Section 9 appropriation, the Federal share would not exceed 80 per cent.

Proposed financing arrangements for the track work and parking facilities will be a product of the preliminary engineering effort and studies being conducted by the Hackensack Meadowlands District Commission (HMDC). The HMDC is studying the economic benefits Meadowlands developers will derive from transportation improvements in the area. The HMDC study may support the implementation of a Meadowlands special assessment district that will enable broader financial participation by area developers than is currently being proposed.

ADMINISTRATION'S PROPOSAL

SENATOR LAUTENBERG: Mr. DelliBovi, knowing the area of the country you are from, I can't believe that you are anti-transit and that this decimation of the budget isn't OMB generated. What did you ask for transit for FY 1989?

ANSWER: Our request to OMB, last fall, was basically the President's FY 1989 Budget request I am presenting to you today. Our budget proposals for FY 1989, both the President's and OMB, are all variations on the same theme: Use the trust fund proceeds of the one-penny tax (Mass Transit Account) to finance the formula grants program currently funded from general fund appropriations. Our OMB proposal requested a trust funded $1.4 billion formula program, almost identical to the $1.4 billion formula program in the President's budget.

This is consistent with the Administration's policy of transportation user fees paying for transportation services under. In FY 1989, the Department will be 78 percent user fee financed.

A comparison of UMTA's request to OMB compared to the President's Budget is as shown in the following table:

($ in Millions)	FY 1989 President's Budget (Feb. 1988)	FY 1989 OMB Submission (Sept. 1987)
Trust Fund		
o Discretionary Grants	$ 0	$ 0
o Formula Transit Grants (Includes funding for administrative expenses, research, planning, elderly and handicapped as well as formula grants)	$1,394	$1,365
General Fund		
o Administrative Expenses	$ 0	$ 0
o Research, Training & Human Resources	$ 0 $ 0	$ 0 $ 0
o Interstate Transfer Grants--Transit	FHWA	FHWA
o Washington Metro	$ 128	$ 125
o Formula Grants	$ 0	$ 0
Total Budget Authority	$1,522	$1,490

SENATOR LAUTENBERG: UMTA is asking to use a total of approximately $1.4 billion out of the trust fund for all of transit. How did you derive this figure?

ANSWER: The President's FY 1989 Budget is predicated on using the proceeds of the one-penny motor fuel tax to finance all of UMTA's formula grants program. That is, this trust-funded budget is "deficit neutral." Financing the UMTA program from general funds adds to the Federal Deficit.

As for the $1.394 billion number in our request, the program level (obligation limitation) of the Mass Transit Account from 1987 to 1991 is equal to the average tax revenue of the Mass Transit Account in the same period. Motor fuel tax receipts to the Mass Transit Account of the Highway Trust Fund are currently estimated to average just under $1.3 billion per year during the 1988-1991 period. (See table below) The obligation limitation and tax revenue averages are equal when $1.394 billion budget authority and obligation limitation is used each year from FY 1989 through FY 1991.

No funding for UMTA programs will be derived from accrued interest earnings to the fund during the FY 1989 - FY 1991 period, since to do so would add to the Federal deficit.

DEPARTMENT OF TRANSPORTATION
URBAN MASS TRANSPORTATION ADMINISTRATION

FY 1989 BUDGET
DERIVATION OF FY 1989 - FY 1991 PROGRAM LEVEL
(IN THOUSANDS OF DOLLARS)

	ACTUAL		PROPOSED			SUM 5-YEAR
	FY87	FY88	FY89	FY90	FY91	PERIOD
TRUST FUND REVENUE	$1,239	1,219	1,276	1,286	1,294	$6,314
OBLIGATION LIMITATION	$1,003	1,131	1,394	1,394	1,394	$6,316
CUMMULATIVE REVENUE OVER LIMITATION	+236	+324	+206	+98	-2	

The obligation limitations for the remaining three years of STURRA, 1989-1991, were set a level of $1.394 billion. By the end of the five year period, all Gas Tax revenues to the fund would be exhausted, without the use of any accrued trust fund interest.

SENATOR LAUTENBERG: The Administration proposes distributing the transit trust funds by formula and requiring a 50 percent local match. Why do you believe a 50 percent local match is desirable? Is this an UMTA or OMB proposal?

ANSWER: First, we believe that a higher local share will encourage State and local governments to make better choices about the use of the funding when their stake is larger. Easy availability of Federal funds at a low local share has relieved local managers of the need to manage their capital resources in a prudent manner. Secondly, the change in matching ratio will make the limited Federal assistance go further. The higher local share was an UMTA proposal, made in order to encourage maximum total capital investment in mass transit within the context of a constrained Federal program.

SENATOR LAUTENBERG: Aren't transit authorities providing more than the statutorily required match for capital projects?

ANSWER: This is true for many New Start projects and for rail modernization programs in New York and Boston, where a number of capital projects are financed entirely with local funds.

SENATOR LAUTENBERG: What is the local match experience for capital projects in the bus area, in the rail modernization area and the new starts area?

ANSWER: Historically, grantees have not overmatched for bus projects. However, in some rail modernization cities (New York and Boston, for

example) overall rail modernization programs contain large amounts of local and state funds. Individual Federal rail modernization projects are not overmatched by local transit authorities; however, total rail modernization programs may feature substantial local funds and totally locally funded rail modernization projects. Given the intense competition for new starts dollars, UMTA views as one important selection criteria, the local area's ability to provide up to 50% of the project's total cost. Recently approved new starts projects in Seattle and Houston have contained large amounts of local dollars. Atlanta, Los Angeles, and San Diego have also significantly over-matched, and other applicants in the pipeline are intending to do so.

SENATOR LAUTENBERG: What is UMTA's policy on transit authorities receiving both rail modernization funds and New Start funds at the same time for essentially the same project (though not the same purpose)?

ANSWER: At one time, an informal draft policy paper was circulated that proposed excluding grantees from receiving Section 3 funds for both rail modernization and New Start purposes at the same time. The rationale here was that a grantee should see to the rehabilitation of an existing rail transit system before expanding the system into new markets. This paper was circulated prior to the enactment of Section 3(k)(2) of the Urban Mass Transportation Act of 1964, as amended, a provision of law that formally precludes such a policy.

SENATOR LAUTENBERG: Is this formal UMTA policy or an operating standard? What is UMTA's policy? How does Section 3(k)(2) affect this policy?

ANSWER: No formal policy exists, however, in reviewing individual grant applications, consideration is given to a grantee's technical and financial capability to carry out a proposed project. Therefore, while a grantee is eligible for consideration under two or more categories of Section 3, the capability to carry out projects under more than one category and the justification for the projects must be demonstrated. This review is not in conflict with Section 3(k)2.

INTERSTATE TRANSFER - TRANSIT

SENATOR LAUTENBERG: The budget proposes funding the interstate transfer-transit grant program out of the Highway Trust Fund's $740 million. The transit effort would then have to compete with highway interests and be subject to the obligation ceiling. Has UMTA ever done an analysis of how transit would fare dollar-wise under such a proposal?

ANSWER: We do not anticipate that our proposal would affect the levels of transit or highway transfer funding. The transit/highway split is a local decision, and states and localities have already made this transit/highway decision on their substitute projects. It should be noted that the FY 1988 appropriation levels

of $123 million for UMTA and $740 million for FHWA track very closely with the split of the remaining entitlements.

Whether the funding source is derived from general funds or trust should have no effect on local programming decisions.

SENATOR LAUTENBERG: How would these funds be apportioned since the two programs have different percentages regarding formula and discretionary distribution?

ANSWER: The fact that 75 percent of the Highway Interstate program is now allocated by formula, versus 50 percent for transit should not affect the level of funding for transit or highway projects. Each entitlement total is a fixed amount and the percentage allocated by formula can only affect the annual allocation levels. However, our legislative proposal would change the Transit 50/50 program to conform to the Highway 75/25 Formula/Discretionary split.

REVERSE COMMUTE

SENATOR LAUTENBERG: One of the major concerns and problems for New Jersey Transit is the commute from suburb to suburb and the "reverse commute" from the inner-city out to the suburbs, where the jobs are. What is UMTA doing in these areas?

ANSWER: UMTA's new program, the Entrepreneurial Services Program, is focused on new transportation occurring in the suburbs and inner city areas. The reverse commute needs are being addressed in this program, with an emphasis on employers underwriting the cost of this service.

SENATOR LAUTENBERG: Does UMTA have any discretionary grants that are being used to study or implement solutions to the "reverse commute" problem? If so, what are the sources of the funds, who are the grantees and what are the amounts of the grants?

ANSWER: Entrepreneurial Services Challenge Grants are discretionary grants funded under UMTA's Sections 3, 6 and 8 programs. This program has emphasized the "reverse commute" problem. Reverse commute projects funded under the entrepreneurial program to date include:

(Funding Source is Section 6)

Project	Grant Recipient	Amount
Boston, MA	Bromley-Heath Tenant Management Corporation	$150,000
Chicago, IL	Metropolitan Transportation Association	$126,000
Philadelphia, PA	University of Pennsylvania	$98,000

St. Louis, MO	Cochran Gardens Tenant Management Corporation	$150,000
Washington, DC	Community Family Life Services, Inc.	$80,625
Washington, DC	Kenilworth-Parkside Tenant Management Corporation	$150,000
Washington, DC	National Center for Neighborhood Enterprises	$379,261

DISCOURAGE THE AUTO COMMUTE

SENATOR LAUTENBERG: Mr. DelliBovi, has UMTA ever considered making cities "Discourage the Auto Commute" as a condition for receiving Federal funds? If not, why not?

ANSWER: As long ago as 1973 the Information for Applicants publication on the Section 3 capital grant program contained criteria assigning a priority to projects related to congestion relief, but did not make this a grant condition. More recently, the UMTA Major Investment Policy promulgated in 1984 has new transit ridership potential as an important indicator of Federal investment worthiness for "New Start" program proposals. The greater the disincentives to auto use in a particular community, the higher the potential for new transit ridership and hence the more attractive a New Start proposal would be.

It should be recognized that although a number of techniques are available to discourage auto use, they involve more than just transit operators. Their success usually depends on the way they are applied and the enthusiasm of the organization sponsoring the technique. The implementation of traffic mitigation techniques involves not only transit operators but State and local governments, developers and employers. Transit operators have no control over these organizations and individuals.

UMTA is taking a positive approach to assist local areas to develop public/private partnerships that will have a better chance of implementing techniques to discourage auto use. Under the Suburban Initiatives Program, transit operators are encouraged to work with highway departments, local governments and the private sector to maximize the use of high occupancy modes of transportation.

SENATOR LAUTENBERG: In reviewing requests for transit funds, does UMTA require applicants to provide evidence of land-use planning, document employer provided free parking, downtown parking policies, city or local tax on automobiles, restrictions on auto use in the downtown area, or employer provided transit subsidy, etc.? If not, why not? Don't you believe this would be good information to have to help evaluate why some systems are more successful than others?

ANSWER: In making decisions on discretionary funding, UMTA always uses cost-effectiveness as the key evaluation criterion. Because the supportive actions noted in the question (e.g., coordination of land-use and transportation planning, parking management) can have a tremendous positive impact on transit ridership, having them in place is a very powerful indication that an investment of Federal transit funds will have a large pay-off. Nowhere can these actions be more helpful than in guaranteeing the success of New Start projects. However, two points must be noted with respect to these supportive actions and New Starts.

The first is that UMTA measures the cost-effectiveness of New Start proposals relative to a "base case" transportation system's management (TSM) alternative in order to create an incentive for localities to maximize the utility of their existing transportation system. The transit-supporting actions noted in the questions can be implemented even if a new major transit facility is not. Thus, though these actions would increase the absolute utility of a given New Start investment, they would not increase its effectiveness relative to a TSM alternative because the same actions could be used to make the existing transportation system work better.

The second point that must be made is that the extremely poor track record of local authorities in predicting ridership on new rail systems can, in part, be attributed to the failure to implement many of the supportive actions that UMTA was told were going to be implemented at the time Federal funds were being sought. Having local authorities pledge that these actions will be taken, and actually having them implemented are two different things.

The coordination of transportation and land-use decisions and the management and control of parking are, in particular, difficult to implement. In one city, the ridership on a new rail system was predicted to be about six times higher than has been actually attracted. One of the many reasons for the shortfall was the failure to implement a planned cap on downtown parking in the face of significant developer opposition. Thus, though complementary actions to support proposed new transit investments can be extremely helpful, they may prove to be difficult to actually implement.

SENATOR LAUTENBERG: Has UMTA ever studied or let a contract to study ways of discouraging downtown auto usage? If so, what were the results?

ANSWER: The best way to discourage auto use is to provide attractive alternatives to the single occupant auto while, at the same time, implementing policies to make auto use less attractive. Most of the work performed by UMTA in its research and demonstration program is aimed at encouraging the development of alternatives to the single occupant automobile. Once attractive alternatives are in place, then the imposition of controls on auto use will be more easily accepted.

A number of incentives for transit and ridesharing and disincentives for auto use have been demonstrated over the years with UMTA support and are listed below:

1. Service improvements such as express bus service and ridesharing particularly on high occupancy vehicle lanes.

2. Policy changes on the part of developers and employers with regard to parking, employer subsidies and work hours.

3. Traffic management ordinances and Transportation Management Organizations which involve public and private sector organizations in the process of managing traffic.

The techniques were effective in directing downtown commuters from single occupant action to transit and ridesharing. The most effective technique is the use of HOV lanes to provide a time savings for transit and ridesharing vehicles. A number of employers and developers around the country have implemented successful ridesharing programs which significantly changed the mode split of their employees.

MASS TRANSIT TRUST FUNDS

SENATOR LAUTENBERG: Provide an estimate of the Trust Fund balance for the next five years, including interest assuming current law and obligations equaling contract authority. In addition, provide similar information using the Administration's assumptions.

ANSWER: The attached Table A provides an estimate of the Trust Fund balance for fiscal years 1988 through 1993, assuming current law and also using the Administration's assumptions.

SENATOR LAUTENBERG: List the revenues and outlay experience for the Trust Fund for the past five years. (Show tax receipts and interest outcome separately.)

ANSWER: Table B provides actual revenue and outlay experience for the Trust Fund, including receipts and interest, for fiscal years 1983 through 1987.

DEPARTMENT OF TRANSPORTATION
URBAN MASS TRANSPORTATION ADMINISTRATION
STATUS OF MASS TRANSIT ACCOUNT
PROJECTIONS
($ in thousands)

TABLE A

	CURRENT LAW/OBLIGATIONS EQUALLING CONTRACT AUTHORITY						ADMINISTRATION'S ASSUMPTIONS					
	FY 1988 ESTIMATE	FY 1989 ESTIMATE	FY 1990 ESTIMATE	FY 1991 ESTIMATE	FY 1992 ESTIMATE	FY 1993 ESTIMATE	FY 1988 ESTIMATE	FY 1989 ESTIMATE	FY 1990 ESTIMATE	FY 1991 ESTIMATE	FY 1992 ESTIMATE	FY 1993 ESTIMATE
MASS TRANSIT ACCOUNT												
Unexpended balance brought forward start of year	4,202,056	5,030,181	5,854,070	6,394,225	6,794,483	7,056,480	4,202,056	5,030,181	5,545,476	5,628,848	5,541,461	5,286,018
Cash income during year,												
Government receipts:												
Motor fuel taxes	1,219,000	1,276,000	1,286,000	1,294,000	1,307,000	1,313,000	1,219,000	1,276,000	1,286,000	1,294,000	1,307,000	1,313,000
Interest on investments	362,400	415,000	453,690	463,581	458,628	441,030	362,400	415,000	429,800	408,100	374,000	330,400
Total annual income	1,581,400	1,691,000	1,739,690	1,757,581	1,765,628	1,754,030	1,581,400	1,691,000	1,715,800	1,702,100	1,681,000	1,643,400
Less: Outlays:												
Discretionary Grants a/	(753,275)	(867,111)	(1,199,535)	(1,357,323)	(1,503,631)	(1,371,153)	(753,275)	(762,705)	(825,428)	(740,487)	(720,443)	(426,210)
Formula Transit Grants b/	0	0	0	0	0	0	0	(413,000)	(807,000)	(1,049,000)	(1,216,000)	(1,385,000)
Subtotal	(753,275)	(867,111)	(1,199,535)	(1,357,323)	(1,503,631)	(1,371,153)	(753,275)	(1,175,705)	(1,632,428)	(1,789,487)	(1,936,443)	(1,811,210)
Unexpended balance brought forward end of year	5,030,181	5,854,070	6,394,225	6,794,483	7,056,480	7,439,357	5,030,181	5,545,476	5,628,848	5,541,461	5,286,018	5,118,208
MEMO: Total Obligations	1,130,500	1,250,000	1,300,000	1,400,000	1,442,000	1,477,000	1,130,500	1,394,000	1,394,000	1,394,000	1,436,000	1,470,000

a/ Includes Sections 3, 9A, 9B, 8, 16(b)(2), 3(a)(1)(c), and 4(i).
b/ Based on proposed legislation.

DEPARTMENT OF TRANSPORTATION
URBAN MASS TRANSPORTATION ADMINISTRATION
STATUS OF MASS TRANSIT ACCOUNT
($ in thousands)

TABLE B

	FY 1983 ACTUAL	FY 1984 ACTUAL	FY 1985 ACTUAL	FY 1986 ACTUAL	FY 1987 ACTUAL
MASS TRANSIT ACCOUNT					
Unexpended balance brought forward start of year.....	0	519,059	1,611,049	2,524,017	3,286,877
Cash income during year,					
Government receipts:					
Motor fuel taxes.....	519,644	1,236,045	1,213,700	1,112,654	1,238,858
Interest on investments...	2,547	89,141	206,266	282,769	343,855
Total annual income...	522,191	1,325,186	1,419,966	1,395,423	1,582,713
Less: Outlays:					
Discretionary Grants a/..	(3,132)	(233,196)	(506,998)	(632,563)	(667,534)
Subtotal.....	(3,132)	(233,196)	(506,998)	(632,563)	(667,534)
Unexpended balance brought forward end of year.....	519,059	1,611,049	2,524,017	3,286,877	4,202,056

a/ Includes Sections 3, 9A, 9B, 8, 16(b)(2), 3(a)(1)(c), and 4(i).

DISADVANTAGED BUSINESS ENTERPRISE PROGRAM (DBE)

SENATOR LAUTENBERG: What are the Urban Mass Transportation Administration's disadvantaged business enterprise (DBE) goals?

ANSWER: Pursuant to the Department of Transportation's Minority Business Enterprise regulation, 49 CFR Part 23, as amended, UMTA has an obligation mandated by Congress to assure that its grant recipients, in the aggregate, meet an overall 10 percent goal for the utilization of small business concerns owned and controlled by socially and economically disadvantaged individuals, including women.

SENATOR LAUTENBERG: How were those goals set?

ANSWER: The authority for UMTA to establish and implement this goal requirement derives from Section 106(c) of the Surface Transportation and Uniform Relocation Assistance Act of 1987 (STURAA) which states that not less than 10 percent of the funds shall be expended with small business concerns owned and controlled by socially and economically disadvantaged individuals, including women-owned businesses. Grant recipients establish their overall DBE goal in each Federal fiscal year by determining the amount of UMTA assisted funding that will be used for contracts and procurements and of this total projecting the amount that will be awarded to DBEs based on the types of contracting opportunities and the availability of DBEs. These goals are submitted to UMTA for review and approval.

SENATOR LAUTENBERG: What has been the DBE participation rate in Fiscal Years 1985, 1986, and 1987?

ANSWER: The participation rate of grant recipients in these fiscal years are provided in the following:

Fiscal Year	Total Dollars Awarded	Total Dollars to DBEs	% DBE Participation
1985	$1.8 Billion	$262.5 Million	14.2%
1986	$1.6 Billion	$227.2 Million	14.2%
*1987	(Data being finalized)		

* The Office of Civil Rights continues to receive additional/revised DBE attainment information for FY 1987. This data will be furnished at a later time.

SENATOR LAUTENBERG: What is expected for Fiscal Year 1988?

ANSWER: UMTA anticipates that in Fiscal Year 1988 the DBE participation rate of grant recipients, collectively, will again exceed the 10 percent goal requirement mandated by Section 106(c).

SENATOR LAUTENBERG: Provide the listing by state of DBE participation for the last fiscal year for which UMTA has information.

ANSWER: The Office of Civil Rights is still receiving information on FY 1987. This data will be furnished at a later date.

SENATOR LAUTENBERG: What is the status of the Minority Business Demonstration Bonding Program? Briefly describe, listing participants and activity to date.

ANSWER: The Demonstration Bonding Program is now a part of the National Bonding Assistance Program administered by the department's Office of Small and Disadvantaged Business Utilization (OSDBU). This program provides bonding assistance to DBEs. UMTA obligated $1 million of its Section 20 (Human Resource Programs) funds as bonding collateral. The funds are being used to guarantee the issuance of bonding to DBEs who bid and are awarded contracts on UMTA assisted projects.

The OSDBU began receiving bonding applications in October 1987. The first approved bond was issued in November to Tony's Enterprises, a DBE of Spring, Texas, for work on a project sponsored by an UMTA grant recipient. This firm received a performance bond for the construction of bus shelters for the Metropolitan Transit Authority of Harris County, Houston, Texas.

OPERATING ASSISTANCE

SENATOR LAUTENBERG: Absent specific Congressional bill language to the contrary, didn't UMTA have to use the distribution scheme in the Surface Transportation Bill?

ANSWER: Yes. Given there was no specific language directing us to take reductions in any one grouping differently than in other groupings, UMTA had no choice but to prorate the reduction across the board.

SENATOR LAUTENBERG: The Administration's budget would make available $160 million for operating subsidy for cities below 200,000 in population. How was this dollar level determined, and why did you choose the population cut-off at 200,000?

ANSWER: The $160 million figure is our preliminary estimate of the total amount of operating assistance eligibility that would be available to urbanized areas with populations under 200,000 persons under the current Authorization Act, the Surface Transportation and Uniform Relocation Assistance Act (STURAA) of 1987. Therefore, the $160 million figure is predicated on STURAA. Cities with populations under 200,000 were allowed to continue operating assistance eligibility in recognition of their high level of dependence on transit operating assistance and their limited ability to generate local funding sources to defray operating costs. Limiting operating assistance to urbanized areas with under 200,000 persons is consistent with our FY 1988 budget request to Congress.

In our FY 1989 Budget proposal, the formula apportionment is $108 million to these small urbanized areas; however, the Governors can continue the practice of transferring available Section 9 urban formula funds to small urbanized areas up to their full STURAA cap.

SENATOR LAUTENBERG: On average, what percentage of transit's operating costs are offset by Federal subsidy for cities above 1 million; between 200,000 and 1 million; for areas between 200,000 and 50,000; and below 50,000?

ANSWER: In 1985, Federal assistance represented 6 percent of operating costs in areas over 1 million, 22 percent in areas 200,000 to 1 million and 24 percent in areas 50,000 to 200,000. Because Section 15 data is not collected in areas under 50,000, no information is available for these areas.

SENATOR LAUTENBERG: Mr. DelliBovi, your agency has estimated that the absenteeism rate in the transit industry is three times the national industrial average. What do you base that on? What is the absentee rate in the transit industry? Is this consistent across city size?

ANSWER: These estimates were based on a two-volume study the Department published in 1986 entitled Transit Employees Attendance Management by Dianne S. Schwager and Littleton C. MacDorman. The report states:

> Employee absence in the transit industry is a widespread problem. The rate of absenteeism in transit appears to be somewhere between two and three times that generally found among American businesses and industry, and that relative position has not changed significantly during the last decade. (page 2)

Absenteeism across all industries is approximately 3 percent. Estimates for transit absenteeism vary from 5 to 12 percent. This variance is due to diverse definitions of absenteeism among studies and among transit operations.

The American Public Transit Association (APTA) compiled absence rates for groups of systems based upon the number of operators (i.e., drivers). According to these surveys, the average rates for all transit systems declined slightly from 9.0 to 7.9 percent from July 1981 to April 1985. The groups of systems with 300-to-400 drivers always had the highest rates, ranging from 10.7 to 9.5 percent over the four years. The rates for the largest systems (over 800 drivers) ranged from 9.4 to 8.1 percent over the same period. The smaller systems (less that 75 drivers) reported rates between 8 and 7 percent.

The Urban Institute has recently compiled information on transit absenteeism and has found:

> Even though some nationwide surveys of transit agencies have been conducted . . . the accuracy and consistency of the absenteeism data at most agencies does not make it possible to make very valid assessments of the nature and extent of absenteeism through the entire transit industry.

However, despite the difficulty in gathering uniform data on absenteeism, available studies consistently show that absenteeism in the transit industry is far higher than absenteeism in other industries.

In recent years individual transit systems have recognized their absenteeism problems and have been able to achieve significant reductions in absenteeism. To illustrate:

> In 1981, the San Diego Transit Corporation reduced absenteeism from 12.9 to 6.3 percent;
>
> In 1985, the Milwaukee County Transit System reduced absenteeism from 6.5 TO 4.6 percent;
>
> Since 1984 the Flint, Michigan, Mass Transportation Authority reduced overtime necessitated by absenteeism from 1,000 hours per week to 50 hours per week; and
>
> The Washington Metropolitan Area Transit Authority reduced unplanned absence from 11.7 percent in FY 1982 to less than 7 percent in late 1986.

SENATOR LAUTENBERG: How does this [absenteeism] affect the transit industry and what does it cost in the aggregate?

ANSWER: High absenteeism, particularly through unplanned absences, increases the number of paid standby (or "extra board") drivers needed to maintain service and reduces the reliability of service because substitute drivers tend to be less familiar with the routes. Whatever its causes, inattentive management, counterproductive work rules, job stress or poor recruitment, high absenteeism imposes intangible costs on the transit system. It demoralizes the workforce, discourages conscientious work attitudes, causes friction among employees, erodes authority and breeds poor labor management relations.
A 1980 study by Peat, Marwick, Mitchell and Company (PMM) estimated that absenteeism just among drivers in 1978 cost the transit industry approximately $187 million or $1,780 per driver. A recent report for the Southern California Rapid Transit District (SCRTD) estimated that driver absenteeism is costing the authority $18.6 million annually.

SENATOR LAUTENBERG: What percent of each "area size's" operating costs are covered by the Federal government? What period is this based on?

ANSWER: In 1985, Federal assistance represented 6 percent of operating costs in areas over 1 million, 22 percent in areas 200,000 to 1 million and 24 percent in areas 50,000 to 200,000.

DRUG AND ALCOHOL TESTING

SENATOR LAUTENBERG: What is the status of drug and alcohol testing of operators of mass transit equipment?

ANSWER: A definitive 1987 policy statement issued by the American Public Transit Association includes a recommendation to its members that they evaluate and implement policies and programs "on such matters as pre-employment testing, post accident testing, the use by safety-sensitive employees of prescription drugs, and employee assistance programs." In addition, in concert with transit authorities, State and local agencies with oversight responsibilities are developing testing requirements and procedures to be incorporated into formal substance abuse prevention programs.

As a result of these initiatives, among others, most transit operating agencies have established drug and alcohol programs with testing and employee assistance as integral parts.

SENATOR LAUTENBERG: Would UMTA seek legislation or is it contemplating a rulemaking that would condition Federal transit assistance on operators having a substance abuse testing program in place?

ANSWER: UMTA is preparing a Notice of Proposed Rulemaking (NPRM) that would require a recipient of Federal transit funding to certify that it has established a comprehensive drug-control program. The program would mandate chemical testing for the use of drugs by those in certain safety-sensitive positions; it would provide a one-time opportunity for rehabilitation for an employee who has a confirmed positive drug test discovered by random testing; and the program would include an employee assistance program. The Secretary has publicly announced his intent to follow shortly with drug rulemkaing in other DOT modes.

SENATOR LAUTENBERG: How does the common carrier drug testing provision affect public transit operators.

ANSWER: I assume you are referring to the anti-drug legislation now before the Congress. That legislation would impose mandatory drug testing of operators of commercial motor vehicles. The definition of "commercial motor vehicle" would cover most public transit bus or vehicle operators. At the same time, the legislation would not apply to most operators of subways or light rail vehicles.

SENATOR LAUTENBERG: Is substance abuse a problem in public transit agencies? On what do you base your answer?

ANSWER: There is a universal recognition within the transit industry that substance abuse is a critical and growing problem. That recognition is reflected in a 1987 policy statement issued by the American Public Transit Association that calls upon "every public transit system to establish policies and implement the necessary programs to combat drug and alcohol abuse." Such an open acknowledgement of the issue indicates awareness of the problem within the industry and a commitment to pursue solutions.

SENATOR LAUTENBERG: Could UMTA, under its Section 22, safety authority, make a substance abuse program a requirement to receive Federal funds?

ANSWER: Section 22 authorizes the Secretary (and UMTA, by delegation) to investigate conditions in any facility, equipment or manner of operation that we believe creates a serious hazard of death or injury. We are authorized to withhold Federal funding until the hazard has been corrected.

To date we have viewed this provision essentially as relating to specific situations among our grantees, although arguably it could form the basis for a rule requiring our grantees to establish anti-drug programs.

However, we believe there is ample authority elsewhere in the UMT Act to support such a rule. Under Section 3, for example, the Secretary has authority to set the terms and conditions in connection with grants funded under that discretionary program. Under both sections 3 and 9 a grantee must have the legal, technical and financial capacity to carry out a project, and we interpret this to include the delivery of safe transportation. In assuring ourselves that a grantee meets these requirements, we may require a substance abuse program as a condition for receipt of Federal funds.

CHARTER BUS REGULATIONS

SENATOR LAUTENBERG: What is the status of UMTA's charter bus regulations?

ANSWER: UMTA's new charter service regulation, 49 CFR Part 604, went into effect on May 13, 1987. Under this new rule, UMTA recipients are barred from providing charter service using UMTA-funded equipment or facilities if there is at least one private operator willing and able to provide the charter service that the recipient desires to provide. UMTA believes that its charter regulation has been effective in protecting private operators from unfair competition with UMTA recipients, while ensuring that consumer needs for charter service are met.

SENATOR LAUTENBERG: What specifically has UMTA done to respond to the Congressional directive contained in the statement of managers that accompanied the Continuing Resolution?

ANSWER: In response to the Congressional directive, UMTA has undertaken a rulemaking to consider an amendment to the regulation that would allow nonprofit social service agencies with a need for affordable or handicapped-accessible equipment to seek bids from public transit authorities. UMTA expects the proposed rule to be published shortly.

SENATOR LAUTENBERG: Does UMTA have data on the amount of revenue public transit agencies made from charter bus operations? If so, provide the data to the committee.

ANSWER: Data supplied by recipients in response to UMTA's Section 15 requirements shows that in the aggregate, there is a $2.5 million loss experienced by UMTA recipients in the provision of charter service. The 1982 Section 15 report shows that recipients earned $45 million in charter revenue at a cost of $47.5 million. Including capital costs, the loss is about $7.5 million.

We have completed similar analysis of 1984 and 1985 data. For 1984, charter revenues were estimated at $37.5 million with a collective profit of only $1.9 million (excess of revenues over per hour operating costs). However, NJ Transit accounts for revenues of $9.1 million and a profit of $3.7 million. Thus, the remainder of the industry had revenues of $28.4 million and a loss of $1.8 million. Again, including capital cost, the loss is about $7.4 million.

In 1985, estimated revenues were $39.0 million with an industry wide loss of 2.3 million. (deleting NJ Transit). NJ Transit data did not permit calculating their profit on $10.5 million in revenues. Including capital cost, the industry wide loss would be about $10.1 million.

SENATOR LAUTENBERG: Will the new charter bus regulations affect this ability to generate revenue? If so, to what degree dollar-wise?

ANSWER: Since most recipients were providing charter service at a loss, the reduction in charter service resulting from the new rule should help them decrease overall deficits.

RURAL TRANSIT

SENATOR LAUTENBERG: The Administration's Budget proposes distributing approximately 5 percent of the formula funds to non-urban areas, rather than the statutorily imposed 2.93 percent. Why did you make this recommendation?

ANSWER: Rural areas have special transportation needs and, for the most part, these areas use the funds apportioned to them as they become available. In addition, cities with populations of one million or more received over $30 per capita from UMTA; while non-urban areas, cities with populations under 200,000, received less than $1 per person from UMTA. This fact was recognized by the Senate Appropriations Subcommittee in FY 1987 and FY 1988, when a special set-aside was created for non-urban areas in addition to their 2.93 percent apportionment. In formulating our FY 1989 budget request for non-urban areas, UMTA followed the lead set by this Senate Subcommittee in creating a special set-aside for non-urban areas.

SENATOR LAUTENBERG: The Section 18 program has been running average obligations at over $100 million a year. Do you think that the Administration's proposal for Fiscal Year 1989 of a $67 million level is really enough?

ANSWER: Our proposal held the Section 18 non-urban areas "harmless" with respect to the funding level ceilings authorized in the Surface Transportation and Uniform Relocation Assistance Act (STURAA) of 1987. In fact, for FY 1989, $67 million in our proposal is slightly more than the $65.2 million Section 18 ceiling authorized the STURAA. Of course, under our legislative proposal, the Governors in each State can continue the practice of transferring available Section 9 Urban Formula funds to non-urban areas. It is this practice by the Governors which allows non-urban areas to obligate more than they are apportioned.

SENATOR LAUTENBERG: In distributing the Section 18 funds, does UMTA have any discretion on who receives this funding?

ANSWER: Funds are apportioned to the Governors based on a statutorily determined formula. Designated State agencies apply for and administer the funds within the State. The States are given full discretion for selecting local recipients of funding within the broad parameters of the statutory requirements and program guidelines set forth in UMTA Circular 9040.1A.

SENATOR LAUTENBERG: What discretionary funding does UMTA have available for distribution to non-urban areas?

ANSWER: All Section 3 funds are available for use in non-urbanized as well as urbanized areas. In practical terms, the only Section 3 category relevant to non-urbanized areas is the Bus and Bus Related program, funded in FY 88 at the $145.5 level. Each year, applications for funding are received from non-urbanized areas, and they are evaluated in accordance with the same criteria used elsewhere; that is, quantitative and qualitative use of formula resources, ability to place funds under contract quickly, and the quality of projects proposed.

SENATOR LAUTENBERG: What amount and percent of the available Section 6, Section 8, Section 9 and Section 3 funds have gone for rural areas (Fiscal Years 1983 through 1988)?

ANSWER: The following table shows the amounts and percentages of funds obligated for rural areas under Section 6, Section 9, and Section 3. The figures for Section 6 are approximate, since some projects benefit both urban and rural areas. The figures for Section 9 are based on transfers to the Section 18 program as a percentage of all available funds, including carryover, during each year, starting in Fiscal Year 1984 when transfers were first authorized. The percentages for Section 3 are based only on the Section 3 funds available for bus related projects, since the New Starts and Rail Modernization categories are not applicable to rural areas. In addition to the programs shown on the table, some of the approximately $4.5 to $5 million of Section 8 funds allocated to the States each year is used for planning in rural areas, but exact figures are unavailable, since these funding decisions are made at the State level.

OBLIGATIONS FOR RURAL AREAS

Fiscal Year	Section 6	Section 9	Section 3
1983	----	----	$5,003,608 1%
1984	$250,000 .5%	$2,616,969 .03%	$3,081,855 1.5%
1985	$500,000 .8%	$21,211,575 .6%	$1,260,000 1%
1986	$800,000 3.7%	$26,961,276 .9%	$3,993,957 1.9%
1987	$750,000 3.9%	$18,072,259 .6%	$1.164,375 .6%
1988 (estimated)	$400-500,000 3.3-4%	$18-22,000,000 .7-.8%	$5-6,000,000 2.3-2.7%

SENATOR LAUTENBERG: What amount and percent of available funds would go to non-urban areas under the Administration's proposal for fiscal year 1989?

ANSWER: $67 million would be apportioned to the Governor's office in each State. The Governor would then allocate the funds among the non-urban areas in his or her State. This $67 million is 5.2 percent of the total $1.281 billion available for formula transit grants.

SENATOR LAUTENBURG: How have non-urban areas used the Federal funds provided (operating, type of capital, planning, etc.)?

ANSWER: The following table shows how Section 18 funds were programmed by the States for the four main categories of assistance. Planning activities are included in the State Administration category. The Project Administration category includes non-capital expenses not directly related to the operation of vehicles, such as insurance and management staff. The capital equipment purchased with Section 18 funds generally consists of items such as vans and small buses, maintenance equipment and facilities, and micro-computers. Few major construction projects are undertaken.

USE OF SECTION 18 FUNDS

	CAPITAL	OPERATING	PROJECT ADM.	STATE ADM.
FY 1984	36.7%	40.7%	15.2%	7.4%
FY 1985	29.0%	47.2%	15.2%	8.6%
FY 1986	28.3%	47.6%	16.3%	7.8%
FY 1987	28.5%	49.9%	13.7%	7.8%

SENATOR LAUTENBERG: Have non-urban areas been quicker or slower than urban areas in obligating and spending funds made available?

ANSWER: In the start-up years of the Section 18 program, obligations were slow and considerable carryover was built up. Since Fiscal Year 1984, however, obligations have greatly exceeded funds appropriated each year, thus significantly reducing the carryover balance. In addition, Section 9 funds have been transferred to the Section 18 program in each year since 1984, and these funds have generally been promptly obligated.

While available funds are generally obligated quickly in the large urbanized areas, the smaller urbanized areas (50-200,000 population) have been slower to obligate available funds than either the larger cities or the non-urbanized areas.

SENATOR LAUTENBERG: In the report you submitted last month to this subcommittee entitled "Implementation of UMTA's Rural Transit Assistance Program," you cite a number of positive achievements for the program during its first year. Can you tell me, in view of RTAP's apparently successful beginnings, why is the administration proposing to eliminate all funding for this congressionally mandated initiative?

ANSWER: Up to fifteen percent of the States' regular Section 18 formula assistance funds can be used to fund the same kinds of training, technical assistance, and research activities eligible under a separate RTAP program. In view of the overall reductions in the UMTA program, we believe the proposed increase in Section 18 funds, along with UMTA Section 6 funding directed to rural issues, will provide a reasonable level of technical assistance for nonurbanized transit. Section 8 also continues to provide funds to the States to be used in providing technical assistance.

SENATOR LAUTENBERG: The RTAP program was intended to supplement and not replace existing UMTA technical assistance and other support services to rural transit systems, such as has been provided over the years with Section 6 and Section 8 funding. On the other hand, it has been suggested that the RTAP program be expanded to serve as a primary source of assistance for most rural transit research, technical assistance, information dissemination and other support services. Would you be in favor of seeing the RTAP program expanded in order to support a more comprehensive set of rural assistance activities?

ANSWER: We do not support the continuation of a separate RTAP program. Section 18 funds may continue to be used for all activities that can be funded under the RTAP program. In recognition of this, our FY 1989 budget proposes an increase in the Section 18 program in order to provide additional funding for those activities which were funded under RTAP in fiscal years 1988 and 1989. By not having a separate RTAP program, States have far more flexibility in how they use the Section 18 rural resource. UMTA is working with the States and rural operators to assure that the technical assistance needed to improve service and efficiency is provided.

SENATOR LAUTENBERG: In the report on implementation of the RTAP program that you submitted to the Subcommittee in March, 85 percent of the RTAP funds in FY 1987 were allocated to the States, and 15 percent were used to fund the National program. How was the 85/15 split established?

ANSWER: The split was established to provide a maximum role for the States, consistent with their role in managing the Section 18 program, while still providing for an adequate National level program of coordination and technical assistance material development.

SENATOR LAUTENBERG: List contracts to date let under the National RTAP Program, including brief description, costs and dates.

ANSWER: The American Public Works Association (APWA), the UMTA recipient, received the entire FY 88 funding of $750,000 for the RTAP National Program. APWA subcontracted to Rural America, Inc., National Association for Transportation Alternatives (NASTA), and the International Support Services (ISS). Rural America received $200,000 to develop a National RTAP Resource Center, to establish an information and assistance toll-free telephone hotline, and to organize and establish a technical resource data base on rural transportation. NASTA received $100,000 to establish a national peer-to-peer technical assistance network, to assess technical assistance needs of states and local operators, and to obtain peer practitioners and modal practices in the highest-rated technical assistance topic areas, etc. ISS received $225,000 to conduct a training needs assessment and develop training materials, to identify and review existing training materials, and to field test and disseminate new training modules. APWA, which received $225,000, provided project planning and coordinating maintained awareness of state program activities, informed states of national program activities, developed new initiatives in support of RTAP state and National Programs, provided workshops at multi-state meetings to introduce new National Program training materials, and provided support for the RTAP National Program Advisory Board. APWA, along with Rural America, NASTA, and ISS did not subcontract with any other entities. The date for all of the above contracts was July 28, 1987.

SENATOR LAUTENBERG: The most recent Section 310 report does not include any data on rural and specialized transit on such essential items as revenue sources and operating costs. This committee's directive to UMTA two years ago which requested that this information be included in the most recent 310 report also asked that "UMTA continue to maintain and expand the data base." What has your agency done in response to that request? What specific plans do you have to expand the data base so that it includes information on the financing and operating of rural and specialized systems?

ANSWER: In response to the Subcommittee's direction, UMTA has explored the options available for assembling data on rural and specialized services. A report was prepared which found that the data already collected by the States would adequately address these concerns. As a result, we have decided to include the collection of this information from the States in the FY 1988 RTAP National Program project, scheduled to begin in July. In addition, we will also include an effort to update the inventory data base collected by Rural America. Together, these efforts should provide for an adequate base of information on rural and specialized operators, without burdening operators with new reporting requirements or overly detailed surveys.

SENATOR LAUTENBERG: What are UMTA's specific plans for responding to the Safety Review Task Force's Recommendation on standards for smaller vehicles?

ANSWER: UMTA is presently reviewing the task force's recommendations. UMTA plans to coordinate with NHTSA and FHWA regarding any appropriate small vehicle standards and guidelines necessary for the safety of the riders of specialized vehicles and vehicles utilized by rural operators, and regarding which agency should have the lead responsibility.

SENATOR LAUTENBERG: An UMTA contractor has estimated that there will be 50 new small vehicle models to test each year compared to five standard sized models. Don't you feel that the substantial variety of small vehicles available and in use for public and specialized transportation makes it that much more important that there be minimum standards, or at least recommended guidelines for them?

ANSWER: UMTA is developing guidelines for selecting flammability and smoke emission characteristics of materials for rural and specialized vehicles. Manufacturers of small vehicles are subject to some of the NHTSA Federal Motor Vehicle Safety Standards and NHTSA can conduct safety recalls and remedy manufacturer procedures causing defects in small vehicles. UMTA plans to cooperate with NHTSA in developing minimum standards or guidelines as necessary to ensure the safety of the small vehicles.

GOVERNORS' TRANSFER AUTHORITY

SENATOR LAUTENBERG: Briefly describe the extent to which the Governors used their transfer of funds authority for the past three years. In general, to where are funds transferred, from where, and for what reasons are the transfers made?

ANSWER: The Governor has the flexibility to transfer funds within the State's apportionment to urbanized areas over 200,000 in population and to Section 18. This flexibility allows the targeting of funds to areas that can best use the funds. Below is a chart of the Governor's transfer activity for the past three years:

FY 1985 - FY 1987 TRANSFERS FROM GOVERNOR'S APPORTIONMENT

(In Millions of Dollars)

	FY 1985	FY 1986	FY 1987
Transfers to Section 18:	21.5	27.0	18.1
Transfers to urbanized areas over 200,000:	18.5	20.1	8.0
Totals	40.0	47.1	26.1

RESEARCH, TRAINING AND HUMAN RESOURCES

SENATOR LAUTENBERG: Have Section 6 funds been spent on drug and alcohol abuse? Describe the activities, products, and cost for Fiscal Years 1986, 1987, and to date for 1988.

ANSWER: To date UMTA has limited its actions to providing safety training and technical assistance to the industry.

In addition UMTA's Office of Safety is working closely with organizations such as the American Public Transit Association (APTA) and the American Bus Association (ABA) in order to provide the training and technical assistance necessary for the industry to protect the public safety.

In cooperation with APTA, UMTA participated in the development of National symposia which addressed the issue of drug and alcohol use in public transportation. The symposia, "From Here to There...Safe and Sober," were held in July 1985 and August 1986. These symposia led to the development and issuance of a manual on drug and alcohol abuse in transit. We are again working with APTA on its next symposium scheduled for July.

Office staff is also working with the Transportation Research Board (TRB) to enhance the visibility of safety issues in TRB's various committees and activities.

UMTA recently funded a $70,000 contract that produced a review of substance and alcohol programs funded by the Department of Transportation.

A grant in the amount of $79,000 (final report not yet available) was awarded to Lincoln University to document measures currently used by 10 transit agencies to assist employees who abuse drugs and alcohol.

A $53,000 contract under the auspices of the National Rural Transportation Assistance Program (RTAP) produced a manager's handbook entitled "Substance Abuse Awareness in Rural Transit". This handbook is designed for use as a self-study program, or as an instructor-led or group study approach.

SENATOR LAUTENBERG: What is planned in this area using Section 22 or other funds for the rest of Fiscal Year 1988 and for 1989?

ANSWER: Under Section 6 funds, UMTA plans to continue its cooperation with APTA and provide technical assistance to the industry in the form of guideline documents and manuals. Subjects may include Employee Awareness, supervisory training, testing practices and small operating needs.

SENATOR LAUTENBERG: What amount of Section 6 funds were spent on "Privatization" in fiscal year 1986 and 1987, to date in 1988 and budgeted for 1989? Briefly describe how those funds were used.

ANSWER: In fiscal year 1986 and 1987, UMTA spent approximately 9.5 million of Section 6 funds on private sector related activities. In fiscal year 1988, UMTA will spend no more than 4 million for private sector activities, per Congressional direction.

In fiscal year 1989, UMTA expects to continue to spend approximately 4 million on privatization activities.

UMTA's private sector activities include competitive services demonstrations, analysis of competitive contracting results, development of successful competitive contracting procedures and information dissemination and outreach activities including workshops and conferences.

SENATOR LAUTENBERG: Is the increase in the Section 10 Managerial Training Request due to the "Single Agency Grant" effort?

ANSWER: Yes. In FY 87 UMTA refocused the Section 10 Managerial Training Program from a single course offering format to a "Block" Grant delivery approach. This has led to more requests for training to be undertaken on a transit authority wide basis. The re-orientation reduced the number of individual grants, yet increased the number of persons trained while decreasing the pre-capital cost of training.

SENATOR LAUTENBERG: List the recipient of these Grants in fiscal years 1987 and 1988 and budgeted for 1989.

ANSWER: No awards were made in FY 1987 because of the pending new regulations. In FY 1988 the following awards have been made through the period of May 13.

1. **Chicago Transit Authority (Chicago, Illinois)**
2. **Capital Metropolitan Transit Authority (Austin, Texas)**
3. **Connecticut Transit (Hartford, Connecticut)**
4. **Massachusetts Bay Transportation Authority (Boston, Massachusetts)**

Grants for the remainder of FY 1988 and FY 1989 will be determined based on the applications received.

SENATOR LAUTENBERG: List the projects where UMTA is offering technical assistance in the "Financing Value" area. To whom does UMTA usually offer this assistance, and is it done by in-house staff or contractor personnel? If contractors are used, list the contracts and amounts for each.

ANSWER: The "Financing Value" program area has been restructed. A major component of this program still exists -that which encourages the joint private/local public financing of new transit capital facilities. The following grant projects all involve technical assistance in the encouragement of joint private/local public financing:

New Jersey Transit - As part of a major development on the Hudson River waterfront, private sector financing is being studied for a transit system connecting Elizabeth City to Newark.

Seminole County, Florida - Through a grant to the County an analysis of the financial feasibility of a people mover system linking new mixed-use developments are being accomplished.

New York MTA - Through a grant to the MTA a study of new development and private sector financing for transit improvements on the Westside of Manhattan is being done.

Washington DOT - Through a grant to the State an investigation of the feasibility of private operation of park-and-ride lots along HOV-ways in the Seattle metropolitan area is being accomplished.

Corpus Christi RTA - The transit authority is studying the financial requirements and necessary implementation strategies for a private/publically financed high speed ferry system in Corpus Christi Bay.

Denver Civic Association - A broad range of joint revenue generation options is being examined to finance the construction, operation and maintenance of a new transit mall along California Street.

City of Chicago - Through a grant to the City an investigation of the options for private financing of the construction and operation of a transit system along the Chicago Riverfront is being accomplished.

UMTA usually offers technical assistance in the area of proposed joint financing to public agencies and non-profit entitities involved with the planning and development of new transit facilities. This assistance is provided by in-house staff, thru grants as listed above, and contractor personnel as part of the Public Private Transportation Network (PPTN) program.

The PPTN program was initially funded in 1986, in the amount of $2,000,000 thru a direct contract between UMTA and the Technology Research and Analysis Corporation.

SENATOR LAUTENBERG: What is the status of the University of Pennsylvania study on "contracting out weekend, evening and holiday service"?

ANSWER: The analysis of the data is now complete and indicates that if SEPTA had competitively contracted out their weekend, evening and holiday services, then they could have saved $30 million, or 30.7 per cent of the $98 million budgeted in FY84-85 for this purpose. The report should be published by August 1988, at which time a copy will be provided to the Committee.

SENATOR LAUTENBERG: Briefly describe the status of your effort to curtail fare evasion.

ANSWER: A 30 month fare revenue control and security study by a consultant is approximately 50% complete. Information for the study is being obtained from published studies, visits to transit agencies and private and public organizations that process large amounts of revenues such as the U.S. Postal Service, the Federal Reserve System, and large department stores. Guidelines are being developed by UMTA to assist transit agencies in improving fare security and control. Some examples of fare losses that are being addressed include:

By Passengers and Non-Employees
- fare shortchanging
- fare payment avoidance
- fare medium and equipment misuse
- altering tokens and counterfeiting bills and passes
- burglarizing fare and vending machines
- robbing operators and fare booth attendants
- robbing the revenue counting facility
- robbing revenue trains or armored trucks

By Employee Theft
- employee skimming
- employee letting passengers ride free
- faking farebox removal and burglarizing later
- setting-up farebox jams
- manipulating counting registers to conceal theft
- overriding vault automatic locking mechanisms
- breaking into storage vaults
- counting room theft

Although some of the guidelines will enable the transit agencies to detect problems, the major emphasis has been placed on fare revenue loss prevention by reducing the opportunities for fare theft and increase fare revenue accountability.

SENATOR LAUTENBERG: What is the status of the Transportation Research Board's recommendation to set aside annually one-half percent of both Section 9 and 18's funds for short-term problem solving?

ANSWER: A Transit Research Task Force was established by the American Public Transit Association (APTA) to more fully consider this recommendation prior to implementing it. In September 1987, that task force recommended that the APTA executive staff approve this concept and establish a Transit Research Committee to manage a Transit Research Program for near-term problem solving. The recommendation for a 1/2% takedown of Section 9 and 18 is now part of APTA's legislative agenda.

SENATOR LAUTENBERG: Update the URT procurement obligations listings found on pages 384 through 390 of Senate hearing 100-354, Part 2. Include fiscal year 1987 and fiscal year 1988 to date.

ANSWER: The following are updated listings of URT procurement obligations from fiscal 1985 through fiscal year 1988 to date.

FY1985 URT PROCUREMENT OBLIGATIONS

PERFORMER NAME PROJECT NUMBER	OBLIGATED	PROJECT DESCRIPTION	ESTIMATED COMPLETION	EXPECTED RESULTS
BATTELLE IT-06-0322	847,000	Bus & paratransit technical support contract	9/90	Wheelchair accessibility guidelines methanol training program
BATTELLE IT-06-0190	300,000	Advanced signal system analysis	3/89	Methanol hazards analysis methanol bus demo. evaluation
CAMBRIDGE SYSTEMS MA-06-0173	150,000	Demonstration evaluations and special studies	8/31/88	Conduct risk mgmt. study & prepare manual for transit agency use
CHARLES RIVER MA-06-0174	150,000	Demonstration evaluations and special studies	8/31/88	Info on transit productivity improvements and study of labor issues
DYNATREND MA-06-0175	50,000	Demonstration evaluations & special studies	8/31/88	Evaluation of Idaho transit projects
ECOSOMETRICS MD-05-0106	99,978	Rural transportation program support	Complete	Provide technical assistance for UMTA's rural programs
KENDRICK DC-05-0452	204,638	Target marketing & information outreach	9/30/88	Preparation of technical briefs on UMTA demonstration projects
KENDRICK DC-05-0481	110,000	Task Order Contract	Complete	Provide assistance in developing productivity & financing training courses
MORRISON-KNUDSEN ID-06-0001	250,000	Structural analysis & on-site monitoring of MDTA metrorail contruction & repairs	Complete	Develop course outline & manuals on passenger counting system designs
MULTIPLICATIONS MA-06-0172	150,000	Demonstration evaluations & special studies	8/31/88	Provide technical support
PMM DC-05-0499	100,000	Demonstration evauations & special studies	8/31/88	Analysis of financing plans for various transit systems

PERFORMER NAME PROJECT NUMBER	OBLIGATED	PROJECT DESCRIPTION	ESTIMATED COMPLETION	EXPECTED RESULTS
TAI IT-06-0310	937,509	Sec. 15 Data Base validation and annual report	Complete	1985 Sec. 15 Data Base and annual report
TRAAC VA-05-0102	262,356	Microcomputer applications for transit pricing policy	7/31/88	Interactive transit pricing evaluation model with user's manual
		FY1986 URT PROCUREMENT OBLIGATIONS		
BATTELLE IT-06-0190	600,000	Advanced signal system analysis	3/89	Report on SEPTA safety eval. regarding high-speed line safety review
CAMBRIDGE SYSTEMS MA-06-0173	317,500	Planning methods analytical services	8/31/88	Report on productivity enhancement through automation
CAMBRIDGE SYSTEMS MA-06-0173	55,000	Planning methods analytical services	8/31/88	Technical assistance for various planning methodology projects
CHARLES RIVER ASSOC. MA-06-0174	242,500	Planning methods analytical services	8/31/88	Perform economic analysis, transit investment analysis
COMPEX CORP. VA-06-0127	1,450,000	Sec. 15 data base maintenance	1/90	1986,1987, 1988 Sec. 15 data bases and reports
COMSIS CORP. MD-06-0121	159,662	Demonstration evaluations & special studies	Complete	Review of Washignton area transit financial planning
CRAIN & ASSOCIATE CA-06-0219	112,500	Demonstration evaluation & special studies	Complete	Studies to encourage higher transit fare prepayment usage
DYNATREND IT-06-0272	25,112	PTV: Operator support & evaluation	Complete	Final report on its way
DYNATREND MA-06-0175	220,000	Planning methods analytical services	8/31/88	Provide assistance for application of microcomputers to transit & conduct project eval.
GARRETT AIR RESEARCH	1,248,993	AC Propulsion	Complete	Final report due

PERFORMER NAME PROJECT NUMBER	OBLIGATED	PROJECT DESCRIPTION	ESTIMATED COMPLETION	EXPECTED RESULTS
HOMITZ ALLEN CA-06-0202	125,000	Task Order Contract	Complete	Provided support services for UMTA private sector conference
HOPE ASSOCIATES DC-06-0518	94,951	Development of demo using volunteers & private sector	Complete	Develop case studies on private organizations that provide transportation for E&H
LAM ASSOC. VA-05-0126	69,337	Review & evaluation of substance & alcohol abuse programs funded by DOT	Complete	Report on drug & alcohol programs in DOT
LEE WANN & ASSOC. DC-06-0483	249,619	Development of value engineering guidelines & training	7/88	Value engineering guidelines manual & training in regions
MULTIPLICATIONS MA-06-0172	320,000	Planning methods analytical services	8/31/88	Assist in dev. transit operator planning course
PMM DC-06-0499	105,000	Planning methods analystical services	8/31/88	Analysis of costs of providing trahsit service, transit network
PMM DC-06-0499	112,500	Demonstration evaluations & special studies	8/31/88	Same as above
SCIENTIFIC & COMMER. VA-06-0125	38,862	Urban Bus Safety Workshops	12/88	Report summarizing bus safety issues at regional workshops
TRAAC VA-06-0124	2,000,000	Public transp. network PPTN	1/89	Network of experts for technical assistance on competitive services & innovative financing
URBAN INSTITUTE DC-06-0489	34,323	Technical support for special user groups	9/88	Monitor & support to competitive services board
URBAN INSTITUTE DC-06-0490	458,341	Technical support for paratransit	9/88	Technical support to develop and monitor competitive demonstration projects
URBAN INSTITUTE DC-06-0501	36,421	Technical support for various service & methods programs	9/88	Technical support to develop gainsharing demo projects

PERFORMER NAME PROJECT NUMBER	OBLIGATED	PROJECT DESCRIPTION	ESTIMATED COMPLETION	EXPECTED RESULTS
WATSON RICE DC-06-0521	547,683	Assess & evaluat revenue losses	10/88	Revenue collection & control guidelines

FY1987 URT PROCUREMENT OBLIGATIONS

PERFORMER NAME PROJECT NUMBER	OBLIGATED	PROJECT DESCRIPTION	ESTIMATED COMPLETION	EXPECTED RESULTS
BATTELLE IT-06-0322	30,000	Technical support methanol & energy	9/90	Provide info & analysis of UMTA methanol & energy program to DOE
HOMITZ ALLEN CA-06-0202	76,000	Task Order Cotnract	Complete	Develop training session
WILSON HILL ASSOC. DC-06-0478	115,000	Technical Support Task Order	9/30/88	Technical support for UTPS
DOT/OST DC-06-0547	12,000	Final rule-making on commuter rail accessibility per Sec. 504	9/88	Final rule on commuter rail
BATTELLE IT-06-0322	25,000	Overview document on status of vehicle accessiblity	Complete	Resource material for ATBCB
BATTELLE IT-06-0322	30,000	Prepare overview documents on UMTA energy projects for DOE	9/89	Reduces duplication of effort by DOE and UMTA
ECOSOMETRICS MD-06-0116	200,000	Evaluate 3 competitive services demos	9/88	Examine new institutional arrange. to incorporate compt. bidding
URBAN INSTITUTE DC-06-0501	189,995	Dev. & demo gainsharing for competitive services board	12/88	Identify gainsharing demos & coordinate project startups
NCTRP DC-06-0472	79,774	Complete existing NCTRP projects	6/90	Reports on near term transit needs
DYNATREND MA-06-0175	264,000	Task order contract to assist URT	8/88	Results dependent on tasks assigned

PERFORMER NAME PROJECT NUMBER	OBLIGATED	PROJECT DESCRIPTION	ESTIMATED COMPLETION	EXPECTED RESULTS
FAA/TSI DC-06-0215	350,000	Conduct UMTA courses on security, accident investigation	9/88	Student trained, manuals & materials prepared
ABACUS DC-06-0540	349,972	Develop integrated safety, loss contro & risk management program	11/88	Final report delineating accident preventon as long-term method of reducing operating risks
TSC MA-06-0178	500,000	Technical assistance to UMTA for safety information	9/88	Final reports
DOE DC-06-0566	800,000	Phase I of 4 phase fuel-cell/ battery bus	3/89	Evaluate whether to proceed with other phases
DOE DC-06-0568	20,000	Suport for methonal & energy program	10/91	Reduce duplication by DOE & UMTA on alternative fuels
DOE IL-06-0065	150,000	Devlop a methanol impact handbook for transit agencies using methanol buses	6/89	Methonal Impact Handbook
WATSON & RICE DC-06-0484	47,403	Develop bus maintenance performance indicators	7/88	Final report and software
BATTELLE IT-06-0322	100,000	Develop private sector bus maintenance demos	12/88	Identification of candidates for demo sites
BATTELLE IT-06-0322	175,000	Document rail car & bus service life trends	9/88	Final report on vehicle life expectancy and replacement costs
NCTRP DC-06-0532	732,555	Five new NCTRP projects	1/90	Complete in progress reports on near term transit needs

FY 1988 URT PROCUREMENT OBLIGATIONS TO DATE

PERFORMER NAME PROJECT NUMBER	OBLIGATED	PROJECT DESCRIPTION	ESTIMATED COMPLETION	EXPECTED RESULTS
MORRISON-KNUDSEN IT-06-0347	10,000	Cost estimates for removal of AGRT test track	Complete	Cost estimate
PMM DC-06-0499	205,000	Technical support for URT	8/88	Evaluation of competitive services board
DYNATREND MA-06-0175	138,387	Develop guidelines on construction management practices	9/88	Project & construction management guidelines & training
OMEGA DC-06-0567	74,538	Modify & improve existing data base of mailing list	3/89	Better and more efficient data base with no dupilcation
BATTELLE IT-06-0322	511,700	Technical support for methanol bus demos	9/90	Data on results of methanol demos and training manuals for drivers using buses
DYNATREND MA-06-0175	70,000	Technical support for bus model testing project	8/88	Provide input to new bus model testing facility

ELDERLY AND HANDICAPPED

SENATOR LAUTENBERG: How are the Section 16(b)2) funds distributed?

ANSWER: Section 16(b)(2) funds are allocated among the States by an administrative formula which is based on the population of elderly and handicapped persons in each State according to the 1980 U.S. Census figures. The Sections 16(b)(2) program provides funding on an 80 percent Federal, 20 percent local matching basis to private nonprofit organizations. The program is administered through the States and it is at the State level that specific funding decisions are made.

SENATOR LAUTENBERG: On what did the Administration base its $35 million request for Fiscal Year 1989?

ANSWER: We are requesting the fully authorized level of $35 million for the Section 16(b)(2) program in order to keep funding consistent with levels of the previous two fiscal years. This program, which provides capital assistance to private nonprofit organizations, is a lean, cost-effective program which makes extensive use of other funding sources, volunteers, and the private sector, in the provision of specialized transportation services for elderly and handicapped persons.

SENATOR LAUTENBERG: On what have the Section 16(b)(2) funds been spent?

ANSWER: During Fiscal Year 1987, 1,030 private nonprofit organization recipients received funding for a total 1,549 specially equipped vehicles to provide transportation for elderly and handicapped persons. Grants also provided for the purchase of ancillary two-way radio equipment.

SENATOR LAUTENBERG: Provide the obligation status report for Fiscal Year 1987 for this program.

ANSWER: Attached is a table which indicates the Section 16(b)(2) funds available, funds obligated, the number of recipients within each State and the number of vehicle purchased.

URBAN MASS TRANSPORTATION ADMINISTRATION
SECTION 16(b)(2) PROGRAM
Obligation Status Report -9-30-87

	FY-87 Total Funds Available	FY-87 Funds Obligated	FY-87 Funds Remaining Unobligated	No. of Recipients	No. of Vehicles Purchased With Lifts Or Ramps	Total No. of Vehicles Purchased
REGION I						
CONNECTICUT	512,632	512,632	0	33	33	33
MAINE	275,710	275,708	2	8	9	9
MASSACHUSETTS	912,978	912,976	2	18	31	31
NEW HAMPSHIRE	233,688	233,688	0	12	7	12
RHODE ISLAND	262,688	262,688	0	4	2	17
VERMONT	187,356	187,356	0	8	9	9
TOTAL	2,385,052	2,385,048	4	83	91	111

REGION II						
NEW JERSEY	1,064,216	1,064,216	0	25	25	25
NEW YORK	2,495,388	2,495,388	0	63	36	90
VIRGIN ISLANDS	129,436	0	129,436	0	0	0
TOTAL	3,689,040	3,559,604	129,436	88	61	115
REGION III						
DELAWARE	189,646	189,646	0	6	4	6
DISTRICT OF COLUMBIA	208,396	208,396	0	7	6	9
KENTUCKY	595,256	595,256	0	13	5	33
MARYLAND	565,900	565,900	0	21	22	22
NORTH CAROLINA	806,996	806,996	0	17	10	37
PENNSYLVANIA	1,771,556	1,771,556	0	24	51	51
SOUTH CAROLINA	454,268	454,268	0	27	12	27
TENNESSEE	714,306	714,306	0	41	13	47
VIRGINIA	681,522	681,522	0	16	6	49
WEST VIRGINIA	387,566	387,566	0	18	6	20
TOTAL	6,375,412	6,375,412	0	190	135	301
REGION IV						
ALABAMA	627,078	627,078	0	10	3	38
FLORIDA	1,925,110	1,925,110	0	40	43	104
GEORGIA	716,876	716,876	0	12	28	28
MISSISSIPPI	453,548	453,548	0	8	1	21
PUERTO RICO	431,564	431,564	0	15	18	18
TOTAL	4,154,176	4,154,176	0	85	93	209
REGION V						
ILLINOIS	1,504,316	1,504,316	0	28	24	44
INDIANA	750,372	750,372	0	18	15	37
MICHIGAN	1,137,960	1,137,960	0	17	32	36
MINNESOTA	627,562	627,562	0	28	28	28
OHIO	1,409,518	1,409,518	0	82	53	93
WISCONSIN	714,092	714,092	0	8	10	33
TOTAL	6,143,820	6,143,820	0	181	162	271
REGION VI						
ARKANSAS	477,500	477,500	0	25	9	25
LOUISIANA	584,110	584,110	0	23	13	33
NEW MEXICO	253,646	253,646	0	19	16	19
OKLAHOMA	533,668	533,668	0	26	13	33
TEXAS	1,637,280	1,637,280	0	32	29	78
TOTAL	3,486,204	3,486,204	0	125	80	188
REGION VII						
IOWA	531,104	531,104	0	8	17	31
KANSAS	445,534	445,534	0	21	11	26
MISSOURI	819,176	819,176	0	26	14	46
NEBRASKA	340,410	340,408	2	13	14	14
TOTAL	2,136,224	2,136,222	2	68	56	117
REGION VIII						
COLORADO	393,182	393,182	0	15	0	18
MONTANA	214,024	214,024	0	7	0	8
NORTH DAKOTA	207,774	207,774	0	8	6	9
SOUTH DAKOTA	219,654	219,654	0	14	1	14

UTAH	242,236	242,236	0	11	3	11
WYOMING	163,854	163,854	0	7	3	7
TOTAL	1,440,724	1,440,724	0	62	13	67
REGION IX						
AMERICAN SAMOA	50,936	0	50,936	0	0	0
ARIZONA	461,194	461,194	0	31	12	22
CALIFORNIA	2,785,098	2,785,098	0	57	47	63
*GUAM	0	0	0	0	0	0
HAWAII	208,476	208,476	0	9	5	9
NEVADA	196,914	196,914	0	11	2	12
NORTHERN MARIANAS	50,490	50,490	0	1	1	1
TOTAL	3,753,108	3,702,172	50,936	109	67	107
REGION X						
ALASKA	139,132	139,132	0	6	3	8
IDAHO	224,784	224,784	0	9	3	9
OREGON	446,450	446,450	0	15	8	20
WASHINGTON	587,436	587,436	0	9	20	26
TOTAL	1,397,802	1,397,802	0	39	34	63
GRAND TOTAL	34,961,562	34,781,184	180,378	1,030	792	1,549

*$127,958 transferred to Section 18.

INNOVATIVE TECHNIQUES AND TECHNOLOGY

SENATOR LAUTENBERG: List the takedowns for Sections 3(a)(1)(C) and 4(i) for fiscal years 1986 and 1987.

ANSWER: The takedowns from the discretionary resource for 3(a)(1)(C) and 4(i) were combined into a single earmark of $5 million in FY 1986, which was reduced to $4.75 million pursuant to the Gramm-Rudman reductions. In FY 1987, the combined earmark was $7.5 million, but $5 million of this amount was earmarked to the new Rural Transportation Assistance Program.

PERSONNEL COSTS

SENATOR LAUTENBERG: Administrative costs are based on a smaller, formulized program. What would be the administrative dollar and personnel request at a current services level?

ANSWER: At our current services level, UMTA would need $32,780,000 in FY 1989 to support our current program level at 443 FTE workyears.

SENATOR LAUTENBERG: Briefly describe UMTA's FERS experience, (i.e., budgeted in FY 1987 versus actual 1988 experience rates) including methodology for estimating Fiscal Year 1989.

ANSWER: UMTA's budgeted amount for FERS in FY 1988 was $699 thousand. Actual FY 1988 obligations through March 31 total $145 thousand, but are anticipated to be around $450 thousand for the entire year because of steadily increasing participation. The FERS estimate for FY 1989 was calculated using participation rate

assumptions provided by the Office of Management and Budget.

RULEMAKING

SENATOR LAUTENBERG: What rulemakings does UMTA have in-process?

ANSWER: UMTA is currently working on the following rulemakings: Buy America amendments, charter service amendments, control of drug use in mass transportation operations, capital leasing, project management oversight, major capital investment projects, pre-award and post-delivery audits of rolling stock, bus testing facility guidelines, implementation of section 19 - nondiscrimination, school bus operations, and air quality procedures.

SENATOR LAUTENBERG: List those rulemakings required by the Surface Transportation and Uniform Relocation Assistance Act of 1987 and describe their status.

ANSWER: Rules on the following provisions are required to implement the 1987 Act: project management oversight, capital leasing, major capital investment projects, pre-award and post-delivery audits of rolling stock, bus testing facility guidelines and Buy America amendments. The project management oversight proposed rule has completed the public comment period and UMTA is preparing a final rule for publication. The remaining rulemakings are all being prepared for publication as notices of proposed rulemakings.

SENATOR LAUTENBERG: Does UMTA contemplate issuing any "notices of proposed rulemaking" in the rest of fiscal 1988 or in fiscal 1989? If so, in what areas and why?

ANSWER: Yes, UMTA does plan to issue notices of proposed rulemaking in the remainder of fiscal year 1988 and in fiscal year 1989. In addition to those rulemakings required by the 1987 reauthorization legislation, UMTA also contemplates issuing notices of proposed rulemakings on charter operations and the control of drug use in mass transportation operations. UMTA is issuing the charter rule in response to a congressional directive in the Conference Report to the Fiscal Year 1988 Appropriations Act. As for the drug rule, as you know the Secretary has made combating drug use in transportation a major initiative. In this connection, UMTA anticipates issuing a proposed rule dealing with drug use in mass transportation.

SENATOR LAUTENBERG: What are the unobligated balances in the UMTA program categories (i.e., Section 6, Section 9, Section 16(b)(2), etc.). List the unobligated balances of program funds by fiscal year made available. For Section 3 funds list the unobligated balances by sub-category, i.e., rail modernization, new starts, bus, etc.

ANSWER: The above questions are answered in the following table.

U. S. Department of Transportation
Urban Mass Transportation Administration
Status of Program Funds Report (Revised)
Summary as of March 31, 1988

	Unobligated Balance 9-30-87	FY 1988 Redistributed Recoveries	New FY 1988 Budget Authority	FY 1988 Recoveries Thru 3/31/88	Lapses/ Write-offs to UMTA	Interagency Interoffice Transfers	Total FY 1988 Availability	Less: Obligations as of 3/31/88	Unobligated Balance as of 3/31/88
DISCRETIONARY GRANTS									
Section 3, Bus	$101,657,784.88	$0.00	$144,772,500.00	16,069,403.56	($3,870,932.35)	$0.00	$258,628,756.09	$14,784,053.00	$243,924,703.09
Section 3, Rail	271,032,358.00	0.00	424,865,000.00	0.00	0.00	0.00	695,897,358.00	25,655,199.00	670,242,159.00
Section 3, New Systems	250,737,913.00	0.00	405,711,250.00	2,608,535.00	0.00	0.00	659,057,698.00	15,604,265.00	643,453,433.00
Section 3(a)1(c), Technology Introduction	3,116,906.00	0.00	0.00	0.00	0.00	0.00	3,116,906.00	1,377,549.00	1,739,357.00
Section 3, Project Management Oversight	21,650.00	0.00	4,901,250.00	0.00	0.00	(21,650.00)	4,901,250.00	0.00	4,901,250.00
Subtotal, Section 3	$626,566,611.88	$0.00	$980,250,000.00	$18,677,938.56	($3,870,932.35)	($21,650.00)	$1,621,601,968.09	$57,341,066.00	$1,564,260,902.09
Section 4(i), Innovative Techniques	$4,825,611.00	$0.00	$0.00	$2.78	$0.00	$0.00	$4,825,613.78	$160,000.00	$4,665,613.78
Section 18(h), RTAP	2,840,768.00	0.00	4,750,000.00	0.00	0.00	0.00	$7,590,768.00	1,461,826.00	6,128,942.00
Section 8, Planning Special Studies	6,150,322.00	0.00	4,500,000.00	686,993.26	(585,929.01)	0.00	10,751,386.25	1,820,432.00	8,930,954.25
Section 8, Planning MPO and State Grants	106,420.00	0.00	40,500,000.00	0.00	0.00	0.00	40,606,420.00	1,671,362.00	38,935,058.00
Section 16b2, Elderly and Handicapped	191,296.54	0.00	35,000,000.00	83,889.08	(67,175.00)	0.00	35,208,010.62	8,805,598.00	26,402,412.62
Section 16b2 Transferred to Section 18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
University Centers	0.00	0.00	5,000,000.00	0.00	0.00	0.00	5,000,000.00	0.00	5,000,000.00
Bus Testing Facility	0.00	0.00	3,200,000.00	0.00	0.00	0.00	3,200,000.00	0.00	3,200,000.00
Section 9B Blend	0.00	0.00	65,250,000.00	0.00	0.00	0.00	65,250,000.00	18,560,255.00	46,689,745.00
Section 9A, Urban Formula	$0.00	$0.00	$0.00	493,547.30	$0.00	($493,547.30)	$0.00	0.00	$0.00
Waterborne	570.87	0.00	0.00	0.00	0.00	0.00	570.87	0.00	570.87
Undistributed	15,503,171.98	0.00	0.00	0.00	0.00	$515,197.30	16,018,369.28	0.00	16,018,369.28
Obligation Limitation	151,657,000.00	0.00	69,500,000.00	0.00	0.00	0.00	221,157,000.00	0.00	221,157,000.00
Total, Discretionary Grants	$807,841,772.27	$0.00	$1,207,950,000.00	$19,942,370.98	($4,524,036.36)	$0.00	$2,031,210,106.89	$89,820,539.00	$1,941,389,567.89
RESEARCH, TRAINING, AND HUMAN RESOURCES									
Section 6, Research and Development	$3,413,929.12	$0.00	$9,510,000.00	$3,480,387.19	$0.00	$0.00	$16,324,316.31	$5,400,528.00	$10,923,788.31
Section 10, Managerial Training	721,771.42	0.00	474,000.00	33,486.98	0.00	0.00	1,229,258.40	61,500.00	1,167,758.40
Section 11, University Research	619,711.83	0.00	713,000.00	62,456.00	0.00	0.00	1,395,167.83	163,238.00	1,231,929.83
Section 20, Human Resources	2,636,771.73	0.00	1,520,000.00	65,984.51	0.00	0.00	4,222,756.24	285,000.00	3,937,756.24
Reimburseable Authority	235,750.00	0.00	0.00	0.00	0.00	0.00	235,750.00	0.00	235,750.00
Total, Research, Train. & Human Resources	$7,627,934.10	$0.00	$12,217,000.00	$3,562,314.68	$0.00	$0.00	$23,407,248.78	$5,910,266.00	$17,496,982.78

INTERSTATE TRANSFER GRANTS									
Interstate Transfer	$65,842,482.12	$0.00	$122,882,500.00	$264,104.91	$0.00	$705,510.00	$189,694,597.03	$21,974,394.00	$167,720,203.03
Project Management Oversight	705,510.00	0.00	617,500.00	0.00	0.00	(705,510.00)	617,500.00	0.00	617,500.00
Total, Interstate Transfer Grants	$66,547,992.12	$0.00	$123,500,000.00	$264,104.91	$0.00	$0.00	$190,312,097.03	$21,974,394.00	$168,337,703.03
WASHINGTON METRO									
Washington Metro	$1.00	$0.00	$179,597,500.00	$0.00	$0.00	$19,090.00	$179,616,591.00	$0.00	$179,616,591.00
Project Management Oversight	19,090.00	0.00	902,500.00	0.00	0.00	(19,090.00)	902,500.00	0.00	902,500.00
Total, Washington Metrorail	$19,091.00	$0.00	$180,500,000.00	$0.00	$0.00	$0.00	$180,519,091.00	$0.00	$180,519,091.00
FORMULA GRANTS									
Section 5, Urban Formula	$11,103,856.03	($11,103,856.03)	$0.00	$8,382,392.24	$0.00	$0.00	$8,382,392.24	$0.00	$8,382,392.24
Section 5, Urban Formula-Discretionary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal, Section 5	$11,103,856.03	($11,103,856.03)	$0.00	$8,382,392.24	$0.00	$0.00	$8,382,392.24	$0.00	$8,382,392.24
Section 9, Urban Formula	$791,265,363.96	$11,642,382.03	$1,658,402,429.00	$26,923,314.15	$0.00	($6,802,957.00)	$2,681,430,532.14	$1,052,844,342.00	$1,628,586,190.14
Section 9, Urban Formula-Discretionary	9,641,103.00	0.00	0.00	0.00	0.00	0.00	9,641,103.00	9,300,000.00	341,103.00
Section 9, Project Management Oversight	969,753.00	(538,526.00)	8,661,571.00	0.00	0.00	(431,227.00)	8,661,571.00	0.00	8,661,571.00
Section 18, Nonurban Formula trans. to 9 (T9)	200,001.00	0.00	0.00	0.00	0.00	0.00	200,001.00	160,001.00	40,000.00
Undist. Sec. 9, Available for Reappt. in FY 89	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal, Section 9	$802,076,220.96	$11,103,856.03	$1,667,064,000.00	$26,923,314.15	$0.00	($7,234,184.00)	$2,699,933,207.14	$1,062,304,343.00	$1,637,628,864.14
Section 18, Nonurban Formula	$24,994,481.84	$0.00	$64,315,806.00	$206,300.59	$0.00	$375,024.00	$89,891,612.43	$16,671,742.00	$73,219,870.43
Section 18, Project Management Oversight	375,024.00	0.00	323,194.00	0.00	0.00	(375,024.00)	323,194.00	0.00	323,194.00
Section 18, Nonurban Formula trans. to FHWA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Section 9, Urban Formula trans. to 18 (C8)	7,587,474.00	0.00	0.00	0.00	0.00	7,179,184.00	14,766,658.00	7,869,366.00	6,897,292.00
Section 9, Urban Formula trans. to 18 (U8)	0.00	0.00	0.00	0.00	0.00	55,000.00	55,000.00	55,000.00	0.00
Section 9, Urban Formula trans. to 18 (FHWA)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Section 9A, Urban Formula trans. to 18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal, Section 18	$32,956,979.84	$0.00	$64,639,000.00	$206,300.59	$0.00	$7,234,184.00	$105,036,464.43	$24,596,108.00	$80,440,356.43
Commuter Rail	$122,222.00	$0.00	$0.00	$14,476.11	$0.00	$0.00	$136,698.11	$0.00	$136,698.11
Unrestricted Cash	779,987.91	0.00	0.00	0.00	0.00	0.00	779,987.91	0.00	779,987.91
FHWA	2,786.17	0.00	0.00	339,529.90	0.00	0.00	342,316.07	0.00	342,316.07
Total, Formula Grants	$847,042,052.91	$0.00	$1,731,703,000.00	$35,866,012.99	$0.00	$0.00	$2,614,611,065.90	$1,086,900,451.00	$1,527,710,614.90
WMATA PROGRAM FUNDS TOTAL	$1,729,078,842.40	$0.00	$3,255,870,000.00	$59,634,803.56	($4,524,036.36)	$0.00	$5,040,059,609.60	$1,204,605,650.00	$3,835,453,959.60

SENATOR LAUTENBERG: For Section 3, list those unobligated balances that have been "earmarked" for a particular project. Also indicate the year(s) those funds were made available.

ANSWER: The information is provided below:

I- NEW STARTS: Information is provided in attached table.

II- RAIL MODERNIZATION:

Area	Description	Unobligated Balance	Fiscal Year Earmarked
Philadelphia	Refurbish North Phila AMTRAK Station	$950,000	FY 1988
Philadelphia	Restore Temple Uni. commuter station	$5,700,000	FY 1988
Philadelphia	New University City Commuter rail station	$2,850,000	FY 1988
Philadelphia	Automatic speed controls	$9,500,000	FY 1988
NW Indiana	South Shore commuter rail system	$200,000	FY 1988
New York (MTA/LIRR)	Electrification of LIRR's Port Jefferson line	$40,000,000	FY 1988
New York (MTA/LIRR)	Protective barriers on LIRR Main Line	$5,000,000	FY 1988
San Francisco-San Jose, CA	Improvements to CALTRAIN service	$22,600,000	FY 1988

III- BUS & BUS RELATED:

New Orleans	Complete approaches on Greater New Orleans Bridge No. 2	$18,750,000	FY 1988
Baltimore	Bus Automatic Vehicle Monitoring	$5,000,000	FY 1988
Buffalo, NY	Construct Cold Springs garage	$6,600,000	FY 1988

URBAN DISCRETIONARY PROGRAM
NEW SYSTEMS CATEGORY
FY 84 - 88
◊ USE OF EARMARK ◊

DATE: 5-20-88

UZA	FY 84 EARMARK	FY 84 OBLIGATED	FY 84 CARRYOVER BALANCE	FY 85 EARMARK	FY 85 OBLIGATED	FY 85 CARRYOVER BALANCE	FY 86 EARMARK	FY 86 OBLIGATED	FY 86 CARRYOVER BALANCE	FY 87 EARMARK	FY 87 OBLIGATED	FY 87 CARRYOVER BALANCE	FY 88 EARMARK	FY 88 OBLIGATED	FY 88 CARRYOVER BALANCE	FY 84 - 88 CARRYOVER BY UZA
ATLANTA	91,250,000	91,250,000	0	95,000,000	95,000,000	0	65,702,825	65,702,825	0	90,629,680	51,098,980	39,525,700	105,470,000	0	105,470,000	144,995,700
BUFFALO	2,000,000	2,000,001	-1	2,700,000	2,699,997	3	808,935	0	808,935	0	0	0	0	0	0	808,937
HOUSTON	5,500,000	5,500,000	0	35,000,000	35,000,000	0	52,134,020	52,134,020	0	46,765,900	15,604,265	31,160,725	0	0	0	31,160,725
LOS ANGELES	117,200,000	117,199,999	1	117,200,000	117,200,000	0	96,173,715	96,173,715	0	107,380,600	107,380,398	2	139,797,500	0	139,797,500	139,797,503
MIAMI	25,000,000	12,500,000	22,500,000	69,000,000	0	69,000,000	36,184,170	0	36,184,170	11,940,000	0	11,940,000	17,412,500	0	17,412,500	137,036,670
PORTLAND	44,250,000	44,250,000	0	19,000,000	19,000,000	0	8,522,175	8,522,175	0	1,293,500	1,293,500	0	0	0	0	0
SAN DIEGO	8,300,000	8,300,000	0	3,000,000	3,000,000	0	8,055,500	8,055,500	0	0	0	0	0	0	0	0
SAN JOSE	30,000,000	30,000,000	0	64,800,000	64,800,000	0	61,893,975	61,893,975	0	18,257,750	18,257,750	0	0	0	0	0
SEATTLE	0	0	0	20,000,000	19,999,998	2	23,472,050	23,590,050	-118,000	67,530,650	67,412,649	118,001	67,162,500	0	67,162,500	67,162,503
ST. LOUIS	2,000,000	2,000,000	0	10,000,000	0	10,000,000	12,855,400	0	12,855,400	12,765,850	0	12,765,850	54,177,750	0	54,177,750	89,799,000
DENVER	//////////	//////////	//////////	//////////	//////////	//////////	//////////	//////////	//////////	6,517,250	0	6,517,250	14,129,000	0	14,129,000	20,646,250
SLC, UT	//////////	//////////	//////////	//////////	//////////	//////////	//////////	//////////	//////////	//////////	//////////	//////////	3,582,000	0	3,582,000	3,582,000
DETROIT	45,000,000	45,000,000	0	5,000,000	5,000,000	0	0	0	0	0	0	0	0	0	0	0
JACKSONVILLE	15,500,000	15,500,000	0	1,800,000	0	1,800,000	0	0	0	0	0	0	3,900,000	0	3,900,000	5,700,000
BALTIMORE	3,500,000	3,424,400	75,600	0	0	0	0	0	0	0	0	0	0	0	0	75,600
TOTALS	399,500,000	376,924,400	22,575,600	422,500,000	361,699,995	60,800,005	366,602,775	316,872,270	49,730,505	363,175,000	261,147,462	102,027,538	405,711,250	0	405,711,250	640,844,098

NOTE: OBLIGATIONS IN THIS TABLE ARE TRACKED AGAINST THE FISCAL YEAR THE FUNDS WERE EARMARKED, NOT THE FISCAL YEAR IN WHICH THE FUNDS WERE ACTUALLY OBLIGATED.

SENATOR LAUTENBERG: Provide the Committee with a breakdown of the utilization of Sec. 3 Discretionary Capital Assistance (Excluding Sec. 8 and Sec. 16(b)(2)) between urbanized and non-urbanized areas. Specifically, the amount of funds obligated during each of the last three fiscal years in the largest urbanized areas (populations of 1 million or more), in other large urban areas (200,000 to 1 million), in smaller urbanized areas (50,000 to 200,000), and in non-urbanized areas.

ANSWER: The information is provided below:

	(In Millions of Dollars)		
UZA SIZE	FY 85	FY 86	FY 87
Over One million	$672.3	$1,019.0	$642.8
200,000 to 1 million	20.3	68.5	3.5
50,000 to 1 million	1.4	10.4	12.2
Under 50,000	1.6	4.8	1.2
	$695.6	$1,102.7	$659.7

SENATOR LAUTENBERG: In your testimony on the Administration's budget request for FY 1989, you indicate that you are considering some administrative changes within the Sec. 3 program next year, in the event that Congress continues to provide funding for the program. Are you prepared to consider implementing new procedures to assure that a more equitable share of Sec. 3 funding is made available to small urbanized and non-urbanized communities.

ANSWER: As you know, UMTA's FY 1989 budget does not propose funding for the Section 3 program. However, should the Congress provide funding for Section 3 in FY 1989, we would ensure that small urbanized and non-urbanized areas would receive special consideration during the review process to ensure that these communities receive a proper share of these monies. In the past, we have sought to reserve between $5 - 10 million for these areas.

SENATOR LAUTENBERG: What has been the de-obligation experience in dollars for all UMTA grants? Has UMTA initiated these de-obligations and recoveries or have the transit authorities identified and returned unused grant money? In what areas have there been recoveries?

ANSWER: Our deobligations in dollars for fiscal year 1987, and for comparison, 1986 and 1985 are provided below. These deobligations were primarily the result of project closeouts and do not include funds that were never obligated and written off to Treasury. Closeouts are a joint effort between the transit authorities and UMTA.

FY 1987 DEOBLIGATIONS
(in millions)

Section	Total	Reapportioned	Written off to Treasury
Discretionary(a)	$ 67.9	$ 39.5	$ 28.4
Formula(b)	124.2	124.2	—
Research, Training & Human Resources(c)	2.6	2.6	—
Interstate (Sec. 23)	2.0	1.2	.8
Total	$196.7	$167.5	$ 29.2

FY 1986 DEOBLIGATIONS
(in millions)

Section	Total	Reapportioned	Written off to Treasury
Discretionary(a)	$ 52.1	$ 32.0	$ 20.1
Formula(b)	43.3	43.3	—
Research, Training & Human Resources(c)	1.5	1.5	—
Interstate (Sec. 23)	—	—	—
Total	$ 96.9	$ 76.8	$ 20.1

FY 1985 DEOBLIGATIONS
(in millions)

Section	Total	Reapportioned	Written off to Treasury
Discretionary(a)	$ 87.7	$ 77.5	$ 10.2
Formula(b)	63.0	63.0	—
Research, Training & Human Resources(c)	.8	.8	—
Interstate (Sec. 23)	—	—	—
Total	$151.5	$141.3	$ 10.2

(a) Includes Sections 3,3(a)(1)(C),4(i),8 and 16(b)(2).
(b) Includes Sections 5,9 and 18.
(c) Includes Sections 6,10,11 and 20.

SENATOR LAUTENBERG: List the publications and reports UMTA issues on a periodic basis. Briefly describe each and whether it it Congressionally mandated.

ANSWER: Listed below are the publications and reports UMTA issues on a periodic basis:

- **Report on Performance and Condition of Transit. This report is mandated by 49 U.S.C. 308 (formerly designated as 310) and is due on January 1 in even-numbered years.**

- **Report on Rural Transit Assistance Program. The report is mandated by Senate Report 100-198 and is due quarterly for fiscal year 1988 only. The letter report lists the grants released,**

to whom, the date released, and the use of those funds.

- o Congressional Quarterly Report. The report is mandated by the Surface Transportation and Uniform Relocation Assistance Act of 1987. The report lists all obligations for grants awarded during the reporting period.

SENATOR LAUTENBERG: What is the status of the prior year funding made available to SEPTA for commuter rail bridges?

ANSWER: UMTA has provided $19.8 million in discretionary funds in FY 85 - 86 to assist in the rehabilitation of bridges on SEPTA's commuter rail (RHSL) network. An additional $5.0 million was also made available through FRA to rehabilitate additional bridges. UMTA has also provided $7.5 million to SEPTA in FY 88 to reconstruct the Cresheim Valley bridge which had been closed to traffic due to structural deterioration.

SENATOR LAUTENBERG: What is the status of the earmark for the Long Island Rail Road Electrification project?

ANSWER: The MTA submitted a grant application for $14.5 million in FY 87 for improvements to the Port Jefferson line. These improvements do not provide for electrification of the line; however, the work proposed does not preclude future electrification. The processing of this application has been delayed due to unresolved environmental issues. Grantee priorities do not include electrification of this part of the system at this time.

SENATOR LAUTENBERG: What is the status of the Handicapped Transportation Study called for in the Fiscal Year 1987 Bill's Conference Report?

ANSWER: A contractor has been selected to conduct this study of the costs to society of not providing transportation for the handicapped. A literature search has been completed and the format for case studies determined. Current effort is to identify suitable case study sites.

SENATOR LAUTENBERG: List the recipients of Section 4(i) and/or Section 3(a)(1)(C) funds for fiscal years 1986, 1987 and to date for 1988. Also, briefly describe the project, product received and amount of funds involved.

ANSWER: The following is a list of Sections 4(i) and 3(a)(1)(C) projects obligated during fiscal years 1986, 1987 and 1988.

FY1986 Sections 4(i) & 3(a)(1)(C) Obligations

Grantee Project Number	Obligated	Project Description
LODC VT-03-4004	102,750	Develop brokerage program for transit service in rural county
NE Vermont VT-03-4005	73,887	Rural transportation network.
BCTC VT-03-4006	17,685	Develop coordinated transportation system.
PPLD CO-03-4003	175,000	Transportation brokerage & P&R program.
State of NH NH-03-4003	27,000	Transportation brokerage system for E&H agencies.
MTA NY-03-3186	1,086,716	Test rotary screw compressors.
SCRTD CA-03-3316	1,399,998	Demonstrate 30 methanol buses.
CAL Energy Com. CA-03-3319	829,998	Methanol bus demonstration by Golden Gate Transit.

FY1987 Sections 4(i) & 3(a)(1)(C) Obligations

Grantee Project Number	Obligated	Project Description
NJ Transit NJ-03-4072	500,000	Site planning & environmental work for privately financed & operated transit station.
PTSB NY-03-4231	150,000	Develop & test compliance audit procedures for system safety.
LACTC CA-03-4327	150,000	Contracting out transit services to private operators.
Nebraska DOT NE-03-4002	220,000	Develop innovative techniques in management & operation of rural intercity bus services.
RTA LA-03-4046	150,000	Contracting out transit services to private operators.
SORTA OH-03-4005	150,000	Contracting out transit services to private operators.
Stamford CT-03-4053	269,000	Private sector involvement in reduction of traffic congestion.

CTA IL-03-3130	534,000	Replace convention signal system relays with microprocessor equipment.
PAAC PA-03-3004	588,000	Test microprocessor control signal system.
WMATA DC-03-3001	5,000,000	Purchase & test snow removal equipment & third rail heating devices.

FY1988 Sections 4(i) & 3(a)(1)(C) Obligations To Date

Grantee Project Number	Obligated	Project Description
Allegheny County PA-03-4007	160,000	Improved transit service to suburban & low density areas.
Anchorage AK-03-4003	215,205	Low cost transit services for Anchorage.
Dept. of Roads NE-03-4002	50,000	Continue operational support of intercity rural bus line.
Denver RTA CO-03-3003	1,377,549	Purchase, maintain, operate and test 5 methanol buses.

NOTE: Since these are all active projects, no products have as yet been received.

SENATOR LAUTENBERG: Provide the latest "estimated cost to complete" for Interstate Transfer Grants -- Transit.

ANSWER: The information follows:

ESTIMATED INTERSTATE SUBSTITUTE TRANSIT COST TO COMPLETE BEGINNING FY 1989*

STATE	WITHDRAWAL AREA	ESTIMATED TRANSIT COST TO COMPLETE	ESTIMATED AVAILABLE TRANSIT FUNDS	ESTIMATED ADDITIONAL FUNDS REQUIRED TO COMPLETE SUBSTITUTE TRANSIT PROJECTS**
ARIZONA	Tucson	0	0	0
CALIFORNIA	Sacramento	3,538,531	3,231,530	307,001
	San Francisco	34,959,885	7,748,396	27,211,489
COLORADO	Denver	0	0	0
CONNECTICUT	Bolton to Killingly	1,208,079	74,962	1,133,117
	Hartford-New Britain	4,424,764	1,072,639	3,352,125
DISTRICT OF COLUMBIA	Washington	3,927,801	915,332	3,012,469
GEORGIA	Atlanta	0	0	0
ILLINOIS	Chicago	249,462,772	56,876,670	192,586,102
INDIANA	Indianapolis	100,000	1,182,733	(1,082,733)
IOWA	Waterloo	2,603,692	882,347	1,721,345
MARYLAND	Baltimore	302,993,114	43,365,576	259,627,538
	Bowie to Millersville	0	0	0
	Washington	0	0	0
MASSACHUSETTS	Boston	24,548,728	10,060,635	14,488,093
	Fall River to Providence	48,255	14	48,241
MINNESOTA	Duluth	634,661	262,143	372,518
	Minneapolis-St. Paul	0	0	0
NEBRASKA	Omaha	0	0	0
NEW JERSEY	New York City	0	0	0
	New York City to Trenton	3,781,872	2,091,333	1,690,539
	Philadelphia	0	0	0
NEW YORK	Albany	109,000	119,400	(10,400)
	New York City	317,762,555	48,243,972	269,518,583
OHIO	Cleveland	24,955,271	1,356,008	23,599,263
OREGON	Portland	669,525	664,494	5,031
	Salem	0	0	0
PENNSYLVANIA	Philadelphia	0	0	0
	Pittsburgh	0	0	0
RHODE ISLAND	Rhode Island	24,306,868	4,048,914	20,257,954
TENNESSEE	Memphis	23,352,345	7,100,043	16,252,302
VIRGINIA	Washington	0	0	0
	TOTALS	1,023,387,718	189,297,141	834,090,577

* Amounts are in Federal funds as of September 30, 1987.

** Negative values indicate excess available transit funds above the cost to complete; the total is the algebraic sum of the column.

SENATOR LAUTENBERG: List the areas and amounts of unobligated balances in the Transit Interstate Transfer Grant Program. Also indicate from which Fiscal Years these funds are available.

ANSWER: The unobligated balance as of March 31, 1988 is $167,322,747. A list of the areas with unobligated balances is as follows:

Unobligated Interstate Transfer Transit Funds
(as of March 31, 1988)

Area	Recoveries	FY 87 Fund	FY 1988 Discretionary	FY 1988 Formula Funds	Total Available
Boston, MA	-	4,551,507	4,904,546	604,582	10,060,635
Fall River, MA	-	14	-	-	14
Killingly, CT.	-	4	-	74,958	74,962
Hartford, CT	-	778,950	-	293,689	1,072,639
Rhode Island		1,327,424	-	1,617,134	3,544,558
Reg 1 Subtotal	-	7,257,899	4,904,546	2,590,363	14,752,808
Trenton, NJ	255,312	1,706,380	-	129,641	2,091,333
Albany, NY	-	119,400	-	-	119,400
New York City, NY	-	18,671,525	8,941,704	20,630,743	48,243,972
Reg 2 Subtotal	255,312	20,497,305	8,941,704	20,760,384	50,454,705
Baltimore, MD	-	-	5,130,000	18,640,046	23,770,046
Washington, DC	291,146	374,120	-	250,066	915,332
Memphis, TN	3,270,082	2,014,875	-	1,295,796	6,580,753
Reg. 3 Subtotal	3,562,018	2,388,995	5,130,000	20,185,908	31,266,921
Chicago, IL	-	10	42,465,000	14,411,660	56,876,670
Indianapolis, IN	143,333	1,039,400	-	-	1,182,733
Duluth, MN	-	217,905	-	44,238	262,143
Cleveland, OH	-	-	-	-	-
Reg. 5 Subtotal	143,333	1,257,315	42,465,000	14,455,898	58,321,546
Waterloo, IA	-	741,032	-	141,315	882,347
Sacramento, CA	7,982	3,201,429	-	22,119	3,231,530
San Francisco, CA	-	5,813,755	-	1,928,641	7,748,396
Reg. 9 Subtotal	7,982	9,021,184	-	1,950,760	10,979,926
Portland, OR	-	663,880	-	614	664,494
Total	3,968,645	$41,827,610	$61,441,250	$60,085,242	167,322,747

SENATOR LAUTENBERG: Update the usage table on Interstate Transfer funds found on page 394 of Senate Hearing 100-354, Part 2.

ANSWER: The information follows:

Use of Interstate Transfer - Transit Funds
($'s in Million)

Fiscal Year	Bus	Rail Mod	New Starts	Planning	Total
1984	$15.8	$106.2	$ 87.9	$0.4	$210.3
1985	$44.2	$ 78.8	$109.1	$0.3	$232.4
1986	$11.1	$ 36.8	$196.1	$0.2	$244.1
1987	$13.7	$ 48.0	$135.3	$0.1	$197.1

SENATOR LAUTENBERG: List the federal matching share for all "new starts" that received federal funds in fiscal years 1985, 1986, 1987 and will in 1988. (Briefly, describe the segment or project on which federal funds were spent.)

ANSWER: The information is provided below:

	(In Millions of Dollars)			
City	FY 1985	FY 1986	FY 1987	FY 1988
Atlanta, GA (Phase B2/C)	$95.0	$65.7	$51.1	NA
Buffalo, NY (Extraordinary Costs)	2.7	2.3	0	0
Houston, TX (NW, SW and North Transitways)	35.0	52.1	0	$15.6
Los Angeles, CA (MOS-1)	0	225.2	107.4	NA
Miami, FL (DCM)	0	12.5	0	NA
Portland, OR (Banfield LRT)	19.0	8.5	1.3	0
San Diego, CA (East Urban LRT)	0	20.2	0	0
San Jose, CA (Guadalupe LRT)	64.8	61.9	18.4	0
Seattle, WA (Downtown Bus Tunnel)	20.0	23.6	67.4	NA
St. Louis, MO (Metro-Link LRT)	2.0	0	0	0
Detroit, MI (CATS)	5.4	0	0	0
Jacksonville,FL (Automated Skyway Express)	15.5	0	0	0

SENATOR LAUTENBERG: Update the charts on pages 379 and 380 of Senate Hearing 100-354, Part 2, regarding reasons for grant deferral. (For all of 1987 and the first two quarters of 1988.)

ANSWER: The information follows:

REASONS FOR GRANT DEFERRAL BY REGIONS FOR FY-1987

1ST QUARTER, FY-1987	Private Sector	TIP	Civil Rights	Funding Problems	Environmental	Eligibility	Certification	Other	Total # of Applic Deferred	Total # of Applic Approved	Total # of Applic Received	Percentage of Applic Deferred
Region												
I	0	0	0	0	0	0	0	0	0			
II	0	0	0	0	0	0	0	0	0			
III	0	1	0	1	4	0	3	0	7			
IV	0	0	0	1	0	0	0	0	1			
V	0	4	3	3	0	2	1	2	13			
VI	1	10	2	3	1	1	2	1	13			
VII	0	0	0	0	0	0	0	0	0			
VIII	0	0	0	0	0	0	0	0	0			
IX	0	9	2	3	3	1	1	1	14			
X	1	1	1	0	1	0	1	0	1			
Total	2	25	8	11	9	4	8	4	49	106	155	31.6%

2ND QUARTER, FY-1987	Private Sector	TIP	Civil Rights	Funding Problems	Environ-mental	Eligi-bility	Certifi-cation	Other	Total # of Applic Deferred	Total # of Applic Approved	Total # of Applic Received	Percentage of Applic Deferred
Region												
I	0	0	0	1	0	0	0	0	1	11	12	
II	0	2	0	0	0	0	0	0	2	13	15	
III	1	1	0	2	4	2	4	3	9	12	21	
IV	0	0	0	1	0	0	0	1	2	12	14	
V	0	0	0	0	0	2	0	0	2	25	27	
VI	3	5	0	1	1	0	2	1	13	14	27	
VII	0	0	0	0	0	0	0	0	0	15	15	
VIII	0	0	0	0	0	0	0	0	0	13	13	
IX	0	2	0	3	0	0	0	0	5	30	35	
X	0	0	0	1	1	0	0	1	3	8	11	
Total	4	10	0	9	6	4	6	8	37	153	190	19.5%

3RD QUARTER, FY-1987	Private Sector	TIP	Civil Rights	Funding Problems	Environ-mental	Eligi-bility	Certifi-cation	Other	Total # of Applic Deferred	Total # of Applic Approved	Total # of Applic Received	Percentage of Applic Deferred
Region												
I	0	0	0	0	0	0	0	0	0	11	11	
II	0	0	0	0	0	0	0	0	0	17	17	
III	0	0	0	5	4	1	2	3	9	33	42	
IV	0	1	0	1	1	1	0	0	6	14	20	
V	0	2	1	7	1	4	0	0	10	34	44	
VI	3	6	1	1	1	2	2	5	13	15	28	
VII	0	0	0	0	0	0	0	0	0	10	10	
VIII	0	0	0	0	0	0	0	0	0	7	7	
IX	0	1	0	6	1	3	1	0	7	15	22	
X	0	0	0	0	1	0	0	0	1	9	10	
Total	3	10	2	20	9	11	5	8	46	165	211	21.8%

4TH QUARTER, FY-1987	Private Sector	TIP	Civil Rights	Funding Problems	Environmental	Eligibility	Certification	Other	Total # of Applic Deferred	Total # of Applic Approved	Total # of Applic Received	Percentage of Applic Deferred
Region												
I	0	0	0	0	0	0	0	0	0	20	20	
II	0	0	2	0	0	0	0	0	2	10	12	
III	0	0	3	7	2	1	1	1	12	32	44	
IV	0	1	1	1	1	2	0	0	8	18	26	
V	0	1	7	2	1	0	1	0	10	26	36	
VI	0	6	9	1	1	2	3	4	11	22	33	
VII	0	0	0	0	0	0	0	0	0	11	11	
VIII	0	0	0	0	0	0	0	0	0	8	8	
IX	0	3	2	2	0	1	0	0	7	13	20	
X	0	0	0	0	2	0	0	0	2	9	11	
Total	0	11	24	13	7	6	5	5	52	169	221	23.5%

REASONS FOR GRANT DEFERRAL BY REGIONS FOR FY-1988

(includes Bi-monthly grants)

1ST QUARTER, FY-1988	Private Sector	TIP	Civil Rights	Funding Problems	Environmental	Eligibility	Certification	Other	Total # of Applic Deferred	Total # of Applic Approved	Total # of Applic Received	Percentage of Applic Deferred
Region												
I	0	0	0	0	0	0	0	0	1	17	18	
II	0	2	2	2	1	0	0	0	5	11	16	
III	0	0	0	1	1	0	0	1	3	32	35	
IV	0	2	2	1	0	0	0	4	9	15	24	
V	0	1	1	2	0	0	0	0	5	24	29	
VI	0	3	0	1	3	0	0	3	10	12	22	
VII	0	0	0	0	0	0	0	0	0	10	10	
VIII	0	0	0	0	0	0	0	0	0	12	12	
IX	0	4	3	3	0	1	2	0	9	7	16	
X	1	0	0	0	1	0	0	0	1	7	8	
Total	1	12	8	10	6	1	2	8	43	147	190	22.62

2ND QUARTER, FY-1988	Private Sector	TIP	Civil Rights	Funding Problems	Environ-mental	Eligi-bility	Certifi-cation	Other	Total # of Applic Deferred	Total # of Applic Approved	Total # of Applic Received	Percentage of Applic Deferred
Region												
I	0	0	0	1	0	0	0	0	1	12	13	
II	0	2	2	1	1	0	0	0	3	11	14	
III	0	0	0	1	0	0	0	1	1	11	12	
IV	0	2	5	0	0	2	0	2	7	16	23	
V	0	1	4	2	0	1	1	1	9	31	40	
VI .	1	4	0	1	2	2	1	3	12	12	24	
VII	0	0	0	0	0	0	0	0	0	12	12	
VIII	0	0	0	0	0	0	0	0	0	8	8	
IX	0	1	3	2	0	1	1	0	6	34	40	
X	1	0	0	2	1	0	0	0	2	4	6	
Total	2	10	14	10	4	6	3	7	41	151	192	21.4%

SENATOR LAUTENBERG: Update the Section 8 Discretionary "Special Studies" chart on page 392 of Senate Hearing 100-354, Part 2, for all of 1987 and 1988 to date.

ANSWER: The information follows:

SECTION 8 SPECIAL STUDIES PLANNING GRANTS

FY 1987

Study Purpose	Recipient	Amount
Financial Planning Manual	Multi Systems	$25,000
Technical Support for UMTA Project Planning Staff	TSC	200,000
Development of a Comprehensive Transit Development Program for the Virgin Islands	TSC	150,000
Private Sector Participation Workshop	Homitz Allen	40,000
Analysis of the Route 128 Corridor	Boston	48,000
Private Participation Handbook	Nassau County	175,000
Financial Planning	Maryland State DOT	175,000
Development of a Strategic and Capital Investment Plan for SEPTA	Delaware Valley RPC	400,000
Philadelphia Trolley Feasibility Study	City of Philadelphia	300,000
Transit Development Program	SC State DOT	50,000
Study of Transit Alternatives in the Dulles Airport Access Road	Fairfax County	60,465
Special Study for United Regional Snow Emergency Plan	Washington COG	198,465
Private Participation Planning for Riverside Center Metrorail Station	Dade County	250,000
A Region 4 Private Sector Workshop	State of Alabama	17,000
First Year Funding of a 2 Year Region 4 Demo Program for Public/Specialized Transportation in the 8 SE States	State of Alabama	100,000
Comprehensive Transit Study of Gwennett County	Atlanta RPC	145,000
Comprehensive Transit Study of Cobb County	Atlanta RPC	160,000
Private Participation Areawide Studies	Chicago	487,500
Various Technical Studies	Michigan State	200,000
Various Technical Studies	Ohio State	30,000

Evaluation of the Airport Windermere and Shaker Heights Rail Transit Line	Ohio State	35,000
Privatization and Public Transportation Study to Review Private Sector Alternatives in the Contracting of Public Transportation Services in the Oklahoma City Area	Oklahoma City MPO	60,000
Feasibility Study for Fixed Guideway Transportation Systems for the Oklahoma City-Tulsa Metropolitan Area	Oklahoma State	500,000
Assessment of Private/Public Partnerships in the Development of a Regional/Subregional Transit System for Houston	Houston/Galveston Area Council	320,000
Publish and Distribute Conference Proceedings on Commuter Lanes and Transitways	Houston/Galveston Area	10,000
Private Sector Studies for the Kansas City UZA	Mid America RCA	115,000
St. Louis Appraisal of Local Assets for Local Share of Light Rail Project	St. Louis	265,000
A Study of the Development of Denver's 16th Street Mall as a National Example of Successful Pedestrian/Transit System	Denver RCOG	40,000
NARC Studies to Encourage Public/Private Partnerships in Transit and to Encourage Financial Planning by MPO's	San Diego Association of Governments	249,000
Feasibility Study of Contracting Maintenance of Washington State Ferries to the Private Sector	Washington State	64,000
Private Sector Study to Support a Position to Provide Liaison Between Public and Private Operators	Washington State	60,000
	Total	$4,929,430

FY 1988

Study Purpose	Recipient	Amount
Garage Planning Manual	S.G. Associates	$39,407
Technology Sharing Program	DOT	50,000
Analysis of HRT Ridership Forecasts	Charles Rivers Associates	46,036
Evaluate Past Transit Decisions	Peat, Marwick, Main	49,038
Completion of Comprehensive Development of TDP for the Virgin Islands	TSC	73,000

2nd Year of Public/Private Specialized Transportation Program	State of Alabama	100,000
SCAG Private Sector Ombudsman	Los Angeles	40,000
Portland Private/Public Partnership	Portland	300,000
BART Financial Planning Study	MTC	330,000
Baltimore Labor Mobility to Suburban Job Markets Study	MD DOT	125,000
Erie, PA Downtown Transitway	PA State DOT	50,000
Establishment of a State Private Sector Office	Minnesota	65,000
Houston/Galveston Comprehensive Study of Galleria/Post Oak Area	Houston/Galveston	390,000
	Total	$1,657,481

SENATOR LAUTENBERG: Provide the Fiscal Year 1988 formula grants apportionments. (Include but list separately those "blended funds" from the Transit Trust Fund).

ANSWER: The information follows:

UMTA FORMULA GRANTS PROGRAM

FISCAL YEAR 1988 SECTION 9 FORMULA APPORTIONMENTS

FOR URBANIZED AREAS

URBANIZED AREA	FY 1988 APPORTIONMENT		
	GENERAL FUND	TRUST FUND	TOTAL APPORTIONMENT
OVER 1,000,000 IN POPULATION:			
Atlanta, Georgia	$21,520,210	$834,840	$22,355,050
Baltimore, Maryland	19,198,167	745,222	19,943,389
Boston, Massachusetts	49,150,292	1,904,347	51,054,639
Buffalo, New York	8,506,396	330,861	8,837,257
Chicago, Illinois-Northwestern Indiana	133,490,604	5,173,031	138,663,635
Cincinnati, Ohio-Kentucky	8,575,255	333,532	8,908,787
Cleveland, Ohio	17,554,995	681,767	18,236,762
Dallas-Fort Worth, Texas	17,395,171	676,329	18,071,500
Denver, Colorado	13,486,141	524,576	14,010,717
Detroit, Michigan	21,912,106	1,023,965	22,936,071
Fort Lauderdale-Hollywood, Florida	7,044,243	274,074	7,318,317
Houston, Texas	20,181,592	784,899	20,966,491
Kansas City, Missouri-Kansas	6,068,996	236,297	6,305,293
Los Angeles-Long Beach, California	101,873,622	3,958,362	105,831,984
Miami, Florida	18,120,358	703,888	18,824,246
Milwaukee, Wisconsin	12,293,236	478,166	12,771,402
Minneapolis-St. Paul, Minnesota	14,550,748	565,679	15,116,427
New Orleans, Louisiana	11,578,197	449,052	12,027,249
New York, N.Y.-Northeastern New Jersey	419,582,606	16,311,569	435,894,175
Philadelphia, Pennsylvania-New Jersey	75,142,871	2,912,640	78,055,511

URBANIZED AREA	FY 1988 APPORTIONMENT		
	GENERAL FUND	TRUST FUND	TOTAL APPORTIONMENT
Phoenix, Arizona	7,282,962	283,503	7,566,465
Pittsburgh, Pennsylvania	22,653,699	879,786	23,533,485
Portland, Oregon-Washington	11,249,304	437,587	11,686,891
St. Louis, Missouri-Illinois	14,060,246	581,868	14,642,114
San Diego, California	18,194,538	706,483	18,901,021
San Francisco-Oakland, California	71,387,542	2,766,218	74,153,760
San Jose, California	14,875,500	577,963	15,453,463
San Juan, Puerto Rico	10,413,605	404,810	10,818,415
Seattle-Everett, Washington	25,218,609	977,945	26,196,554
Washington, D.C.-Maryland-Virginia	51,449,987	1,994,402	53,444,389
SUBTOTAL	$1,244,011,798	$48,513,661	$1,292,525,459
200,000-1,000,000 IN POPULATION:			
Akron, Ohio	$3,382,352	$131,720	$3,514,072
Albany-Schenectady-Troy, New York	4,641,968	180,588	4,822,556
Albuquerque, New Mexico	2,752,539	107,233	2,859,772
Allentown-Bethlehem-Easton, Pa.-N.J.	2,289,158	89,180	2,378,338
Ann Arbor, Michigan	2,032,164	79,139	2,111,303
Augusta, Georgia-South Carolina	1,093,923	42,616	1,136,539
Austin, Texas	4,022,823	156,720	4,179,543
Bakersfield, California	1,693,481	65,936	1,759,417
Baton Rouge, Louisiana	2,046,886	79,612	2,126,498
Birmingham, Alabama	3,342,777	130,120	3,472,897
Bridgeport, Connecticut	3,573,869	146,545	3,720,414
Canton, Ohio	1,334,957	52,007	1,386,964
Charleston, South Carolina	1,755,081	68,259	1,823,340
Charlotte, North Carolina	2,459,943	95,715	2,555,658
Chattanooga, Tennessee-Georgia	1,637,357	63,729	1,701,086
Colorado Springs, Colorado	883,444	34,417	917,861
Columbia, South Carolina	1,683,092	65,569	1,748,661
Columbus, Georgia-Alabama	1,192,804	46,469	1,239,273
Columbus, Ohio	7,765,359	301,968	8,067,327
Corpus Christi, Texas	1,393,557	54,279	1,447,836
Davenport-Rock Island-Moline, Iowa-Illinois	2,075,118	80,798	2,155,916
Dayton, Ohio	8,240,369	319,644	8,560,013
Des Moines, Iowa	1,839,453	71,588	1,911,041
El Paso, Texas	4,036,296	156,788	4,193,084
Fayetteville, North Carolina	848,988	33,075	882,063
Flint, Michigan	2,047,255	79,715	2,126,970
Fort Wayne, Indiana	1,485,751	57,876	1,543,627
Fresno, California	2,909,302	113,232	3,022,534
Grand Rapids, Michigan	2,455,894	95,613	2,551,507
Greenville, South Carolina	1,350,650	52,595	1,403,245
Harrisburg, Pennsylvania	1,740,609	67,708	1,808,317
Hartford, Connecticut	5,048,104	196,333	5,244,437
Honolulu, Hawaii	13,378,146	518,449	13,896,595
Indianapolis, Indiana	5,233,481	203,618	5,437,099
Jackson, Mississippi	1,303,257	50,750	1,354,007
Jacksonville, Florida	3,829,670	149,195	3,978,865
Knoxville, Tennessee	1,486,630	57,886	1,544,516

URBANIZED AREA	FY 1988 APPORTIONMENT		
	GENERAL FUND	TRUST FUND	TOTAL APPORTIONMENT
Lansing, Michigan	1,853,530	72,170	1,925,700
Las Vegas, Nevada	1,504,491	66,401	1,570,892
Lawrence-Haverhill, Mass.-New Hampshire	2,128,049	47,815	2,175,864
Little Rock-North Little Rock, Arkansas	1,748,658	68,051	1,816,709
Lorain-Elyria, Ohio	653,996	25,478	679,474
Louisville, Kentucky-Indiana	6,789,420	264,071	7,053,491
Madison, Wisconsin	2,953,027	114,830	3,067,857
Melbourne-Cocoa, Florida	1,061,533	41,334	1,102,867
Memphis, Tennessee-Arkansas-Mississippi	6,005,135	233,549	6,238,684
Mobile, Alabama	1,475,160	57,468	1,532,628
Nashville-Davidson, Tennessee	3,224,984	125,448	3,350,432
New Haven, Connecticut	4,239,542	164,567	4,404,109
Newport News-Hampton, Virginia	1,952,379	75,946	2,028,325
Norfolk-Portsmouth, Virginia	5,753,868	224,069	5,977,937
Ogden, Utah	1,584,112	61,652	1,645,764
Oklahoma City, Oklahoma	2,987,519	116,356	3,103,875
Omaha, Nebraska-Iowa	4,054,040	157,808	4,211,848
Orlando, Florida	3,753,534	146,070	3,899,604
Oxnard-Ventura-Thousand Oaks, California	1,874,389	73,020	1,947,409
Pensacola, Florida	1,075,393	41,874	1,117,267
Peoria, Illinois	1,553,486	60,514	1,614,000
Providence-Pawtucket-Warwick, R.I.-Mass.	10,589,116	410,878	10,999,994
Raleigh, North Carolina	1,283,176	49,990	1,333,166
Richmond, Virginia	4,273,454	166,161	4,439,615
Rochester, New York	5,138,054	199,988	5,338,042
Rockford, Illinois	844,921	32,891	877,812
Sacramento, California	6,429,368	250,072	6,679,440
St. Peteraburg, Florida	5,722,014	222,674	5,944,688
Salt Lake City, Utah	6,161,303	239,785	6,401,088
San Antonio, Texas	10,376,404	403,730	10,780,134
San Bernardino-Riverside, California	4,747,571	184,927	4,932,498
Sarasota-Bradenton, Florida	1,641,898	63,949	1,705,847
Scranton-Wilkes-Barre, Pennsylvania	2,429,336	94,640	2,523,976
Shreveport, Louisiana	1,718,844	66,908	1,785,752
South Bend, Indiana-Michigan	1,708,300	66,518	1,774,818
Spokane, Washington	2,954,603	114,961	3,069,564
Springfield-Chicopee-Holyoke, Mass.-Conn	3,641,006	141,698	3,782,704
Syracuse, New York	3,664,446	142,656	3,807,102
Tacoma, Washington	4,189,174	163,061	4,352,235
Tampa, Florida	4,633,999	180,215	4,814,214
Toledo, Ohio-Michigan	4,063,268	158,129	4,221,397
Trenton, New Jersey-Pennsylvania	2,648,924	102,966	2,751,890
Tucson, Arizona	4,770,765	185,701	4,956,466
Tulsa, Oklahoma	2,498,103	97,320	2,595,423
West Palm Beach, Florida	2,772,234	107,940	2,880,174
Wichita, Kansas	1,935,269	75,340	2,010,609
Wilmington, Delaware-New Jersey-Maryland	2,554,658	99,445	2,654,103
Worcester, Massachusetts	1,977,972	77,021	2,054,993
Youngstown-Warren, Ohio	1,810,961	70,551	1,881,512
SUBTOTAL	$275,691,893	$10,705,290	$286,397,183

URBANIZED AREA	FY 1988 APPORTIONMENT		
	GENERAL FUND	TRUST FUND	TOTAL APPORTIONMENT
50,000-200,000 IN POPULATION:			
Governor's apportionment for areas 50,000-200,000 in population --			
ALABAMA	4,059,737	158,192	4,217,929
ALASKA	823,198	32,077	855,275
ARIZONA	354,537	13,815	368,352
ARKANSAS	1,196,269	46,614	1,242,883
CALIFORNIA	12,524,232	488,022	13,012,254
COLORADO	2,683,914	104,582	2,788,496
CONNECTICUT	11,693,786	453,725	12,147,511
DELAWARE (NONE)			
FLORIDA	5,610,978	218,639	5,829,617
GEORGIA	3,125,137	121,775	3,246,912
HAWAII	800,965	31,210	832,175
IDAHO	1,162,338	45,291	1,207,629
ILLINOIS	7,709,942	300,428	8,010,370
INDIANA	4,749,013	185,051	4,934,064
IOWA	2,648,914	103,218	2,752,132
KANSAS	1,138,683	44,369	1,183,052
KENTUCKY	2,409,024	93,869	2,502,893
LOUISIANA	2,813,785	109,643	2,923,428
MAINE	1,214,671	47,330	1,262,001
MARYLAND	1,066,295	41,550	1,107,845
MASSACHUSETTS	5,314,175	207,072	5,521,247
MICHIGAN	4,728,845	184,266	4,913,111
MINNESOTA	1,606,388	62,595	1,668,983
MISSISSIPPI	1,523,612	59,370	1,582,982
MISSOURI	1,877,842	73,174	1,951,016
MONTANA	1,358,844	52,950	1,411,794
NEBRASKA	1,278,928	49,835	1,328,763
NEVADA	1,028,666	40,083	1,068,749
NEW HAMPSHIRE	1,537,980	59,930	1,597,910
NEW JERSEY	1,205,780	46,985	1,252,765
NEW MEXICO	583,100	22,721	605,821
NEW YORK	3,844,342	149,799	3,994,141
NORTH CAROLINA	6,588,360	256,723	6,845,083
NORTH DAKOTA	1,155,111	45,010	1,200,121
OHIO	3,741,525	145,793	3,887,318
OKLAHOMA	814,794	31,752	846,546
OREGON	2,603,763	101,459	2,705,222
PENNSYLVANIA	7,455,645	290,518	7,746,163
PUERTO RICO	5,209,214	202,982	5,412,196
RHODE ISLAND	414,499	16,151	430,650
SOUTH CAROLINA	1,302,309	50,747	1,353,056
SOUTH DAKOTA	827,252	32,234	859,486
TENNESSEE	1,417,160	55,223	1,472,383
TEXAS	13,035,421	507,929	13,543,350
UTAH	1,056,484	41,168	1,097,652
VERMONT	411,931	16,052	427,983
VIRGINIA	2,952,600	115,053	3,067,653
WASHINGTON	2,488,367	96,961	2,585,328

URBANIZED AREA	FY 1988 APPORTIONMENT		
	GENERAL FUND	TRUST FUND	TOTAL APPORTIONMENT
WEST VIRGINIA	2,719,020	105,951	2,824,971
WISCONSIN	6,182,508	240,910	6,423,418
WYOMING	776,405	30,253	806,658
SUBTOTAL	$154,826,288	$6,031,049	$160,857,337
OVER 1,000,000 IN POPULATION	$1,244,011,798	$48,513,661	$1,292,525,459
200,000-1,000,000 IN POPULATION	275,691,893	10,705,290	286,397,183
50,000-200,000 IN POPULATION	154,826,288	6,031,049	160,857,337
NATIONAL TOTALS	$1,674,529,979	965,250,000	$1,739,779,979

FISCAL YEAR 1988 SECTION 18 FORMULA APPORTIONMENTS

FOR NONURBANIZED AREAS

STATE	APPORTIONMENT	STATE	APPORTIONMENT
ALABAMA	1,555,611	MONTANA	422,497
ALASKA	169,273	NEBRASKA	683,860
AMERICAN SAMOA	23,605	NEVADA	150,072
ARIZONA	588,083	NEW HAMPSHIRE	458,654
ARKANSAS	1,259,359	NEW JERSEY	784,390
CALIFORNIA	2,815,749	NEW MEXICO	568,308
COLORADO	637,980	NEW YORK	2,752,248
CONNECTICUT	579,404	NORTH CAROLINA	2,835,600
DELAWARE	165,745	NORTH DAKOTA	347,803
FLORIDA	1,694,039	NORTHERN MARIANA ISLANDS.	12,264
GEORGIA	2,090,195	OHIO	3,113,100
GUAM	77,457	OKLAHOMA	1,285,190
HAWAII	202,098	OREGON	997,554
IDAHO	552,311	PENNSYLVANIA	3,431,922
ILLINOIS	2,289,564	PUERTO RICO	1,079,509
INDIANA	2,111,539	RHODE ISLAND	114,268
IOWA	1,448,556	SOUTH CAROLINA	1,412,154
KANSAS	1,102,980	SOUTH DAKOTA	403,486
KENTUCKY	1,774,630	TENNESSEE	1,830,565
LOUISIANA	1,464,845	TEXAS	3,728,065
MAINE	639,873	UTAH	300,676
MARYLAND	786,131	VERMONT	317,877
MASSACHUSETTS	944,539	VIRGINIA	1,682,727
MICHIGAN	2,543,673	VIRGIN ISLANDS	70,580
MINNESOTA	1,477,849	WASHINGTON	1,104,128
MISSISSIPPI	1,411,966	WEST VIRGINIA	1,130,125
MISSOURI	1,678,500	WISCONSIN	1,731,514
		WYOMING	257,151
NATIONAL TOTAL			965,091,841

SENATOR LAUTENBERG: Update the Full Funding agreements listings on pages 429 and 430 of last year's hearing record 100-354, Part 2.

ANSWER: The information follows;

Full Funding Contracts
(Dollars in Millions)

UZA	Issue Date	Funding Source	Project Description	Base Fed. Contract Amount	Funding Thru FY 87	FY 88	FY 89	FY 90	FY 91
Portland (LOI)	3/24/82	IT	Banfield LRT	$ 145.0	$ 145.0	-	-	-	-
		3		$ 92.8	$ 87.0	$ 5.8	-	-	-
Detroit (LOI)	7/25/83	3	Central Automated	$ 110.0	$ 110.0	-	-	-	-
		9A	Transit Systems	$ 14.1	$ 14.1	-	-	-	-
		9		$ 33.1	$ 33.1	-	-	-	-
Sacramento	9/28/83	IT	LRT	$ 88.1	$ 84.9	$ 3.2	-	-	-
		9A		$ 2.4	$ 2.4	-	-	-	-
San Jose (LOI)	6/22/84	3	Guadalupe LRT	$ 205.8	$ 205.4	$ 0.4	-	-	-
		9A		$ 6.5	$ 6.5	-	-	-	-
		9		$ 45.4	$ 41.4	$ 4.0	-	-	-
Jacksonville	2/1/85	3	Jacksonville	$ 15.5	$ 15.5	-	-	-	-
		9A	Automated Shuttle	$ 7.6	$ 7.0	$ 0.6	-	-	-
New York	3/12/86	3	Electrify LIRR	$ 102.6	$ 102.6	-	-	-	-
San Francisco	3/20/86	3	Daly City	$ 45.5	$ 45.5	-	-	-	-
		9	Turnback	$ 58.0	$ 58.0	-	-	-	-
		9A		$ 2.2	$ 2.2	-	-	-	-
Seattle	5/15/86	3	Bus	$ 136.5	$ 112.5	$68.3	$15.7	-	-
		9	Tunnel	$ 0.5	$ 0.5	-	-	-	-
Wash., D.C.	7/15/86	SH	Metrorail	$1,364.6	$1,364.6	-	-	-	-
Chicago	7/28/86	IT	S.W. Rail Proj.	$ 348.5	$ 298.3	$43.9	$ 6.3	-	-
Los Angeles	8/27/86	3	Wilshire Rail	$ 605.3	$ 509.0	$96.3	-	-	-
		9	(MOS-1)	$ 87.8	$ 87.8	-	-	-	-
		9A		$ 2.8	$ 2.8	-	-	-	-
New Jersey	11/6/86	3	Coast Line	$ 29.8	$ 29.8	-	-	-	-
		9	Electrification	$ 53.9	$ 53.9	-	-	-	-
Philadelphia	11/6/86	3	Frankford El	$ 97.2	$ 97.2	-	-	-	-
San Diego	11/17/86	3	East LRT Ext.	$ 20.2	$ 20.2	-	-	-	-
		9	(11.2 miles)	$ 38.2	$ 28.5	$ 9.7	-	-	-
New York	12/31/86	3	Metro North Commuter Rail	$ 63.0	$ 63.0	-	-	-	-
New York	12/31/86	3	Lexington	$ 60.0	$ 60.0	-	-	-	-
		9	Avenue Line	$ 73.3	$ 73.3	-	-	-	-
New Orleans	3/23/87	3	St. Charles St. Trolley Line	$ 35.4	$ 35.4	-	-	-	-
Cleveland	5/29/87	3	Tower City	$ 35.6	$ 35.6	-	-	-	-
		9A	Project	$ 1.6	$ 1.6	-	-	-	-
		IT		$ 4.0	$ 4.0	-	-	-	-
		9		$ 0.8	$ 0.8	-	-	-	-
Houston	9/11/87	3	Southwest	$ 62.0	$ 62.0	-	-	-	-
		5	Transit Way	$ 2.5	$ 2.5	-	-	-	-

SENATOR LAUTENBERG: Update the charts found on pages 431 and 432 of Senate Hearings 100-354, Part 2, regarding "New Start" earmarks.

ANSWER: The information follows.

STATUS OF UNOBLIGATED NEW START EARMARKS

CITY	AMOUNT ($MILLION)*	YEAR APPROP-RIATED	ACTIVITIES TO BE FUNDED	FUNDING STATUS	COMMENTS
Atlanta	$ 39.5	1987	Northeast Line (Doraville)	Local capital funds from dedicated sales tax are committed to project.	Application Pending
	105.5	1988	East Line Extension		Application Pending
Buffalo	0.81	1986	The NFTA does not presently intend to apply for these funds. It may later request these funds for the Naval Park LRRT station or a $250,000 study of future LRT alignments.	Not obligated. If the NFTA ultimately applies for these funds, local match for designing the station may be sought from NY State. Construction would be performed with private funds.	Grant application has not been prepared.
Houston	31.2	1987	North Transitway Extension	Part of project funds obligated. Local funding from dedicated Sales Tax.	Waiting for FHWA Environmental Assessment to be completed.
Seattle	67.2	1988	Busway tunnel Construction	FY 88 funds not obligated. Local funds provided by sales, motor vehicle and excise taxes plus bonds.	Busway tunnel under construction.

CITY	AMOUNT ($MILLION)*	YEAR APPROP-RIATED	ACTIVITIES TO BE FUNDED	FUNDING STATUS	COMMENTS
St. Louis	10.0 12.9 12.8 54.2	1985 1986 1987 1988	Final design and initial construction for LRT line.	Not obligated. Local in-kind match.	Environmental Impact Statement (EIS) process completed. Full funding contract being negotiated.
Jacksonville	1.8 4.0	1985 1988	Automated Skyway Express Extension	Not obligated. Local match would be from State and City general revenues.	Grant application has not been prepared. Starter line under construction. Design and Right-of-Way acquisition for extension underway.
Miami	22.5 49.0 36.2 11.9 17.4	1984 1985 1986 1987 1988	Construction of Metromover legs to Omni and Brickell	Not obligated. Local match to be provided by special tax district and State of Florida.	EIS process completed. Full funding contract is being negotiated.
Los Angeles	93.5	1988	Metrorail construction (MOS-1)	FY 88 funds not obligated. Local capital funds are pledged to project by city, State, LACTC, and thru benefit assessment district.	Full funding contract signed. MOS-1 under construction.
	46.2	1988	MOS-2		Supplemental Draft EIS being prepared for MOS-2.

CITY	AMOUNT ($MILLION)*	YEAR APPROP-RIATED	ACTIVITIES TO BE FUNDED	FUNDING STATUS	COMMENTS
Denver	6.5 14.1	1987 1988	Construction of North I-25 Bus/HOV lanes.	Not obligated. Local match by RTD (sales tax), State gas tax, city bond issue.	Alternatives Analysis/ Preliminary Engineering underway. Environ-mental Assessment and Financing Plan not yet complete.
Salt Lake City	3.6	1988	PE for proposed transit improvements in I-15 State Street Corridor.	Not obligated. Local match not yet been identified.	Alternatives Analysis underway. Financing plan and EIS not yet complete.

* FY 86,87,88 amounts reflect adjustment for project management oversight (PMO) contractor.

SENATOR LAUTENBERG: Update the charts found on page 435 of Senate Hearing 100-354, Part 2, regarding use of Section 9 funds.

ANSWER: The information follows:

FY 1987 SECTION 9 OBLIGATIONS
BY CATEGORY
(IN MILLION OF DOLLARS)

CATEGORY	AMOUNT OBLIGATED	PERCENT OF AVAILABLE OBLIGATED
OPERATING ASSISTANCE	820.4	28%
CAPITAL ASSISTANCE	1,335.7	45%
Bus purchases	(350.4)	
Bus maintenance facility and bus related	(340.1)	
Rail modernization	(608.6)	
New start	(36.6)	
	2,156.1	73%

FY 1987 SECTION 9 CAPITAL OBLIGATIONS
BY POPULATION SIZE
(IN MILLIONS OF DOLLARS)

URBANIZED AREA POPULATION SIZE	FY 1987 AVAILABLE	BUS PURCHASES	BUS MAINTENANCE FACILITY AND BUS RELATED	RAIL MODERNIZATION	NEW START	TOTAL OBLIGATED	PERCENT OF AVAILABLE OBLIGATED
Over 1,000,000 (30 UZA's)	1,929.3	210.1	213.2	604.2	36.6	1,064.1	55%
200,000-1,000,000 (86 UZA's)	604.8	104.5	86.4	2.5	0	193.4	32%
Under 200,000 (257 UZA's)	413.5	35.8	40.5	1.9	0	78.2	19%
TOTALS	2,947.6 (1)	350.4	340.1	608.6	36.6	1,335.7	45% (2)

NOTES: (1) Does not include unobligated Section 9 discretionary funds.
(2) Does not include operating assistance obligations.

SENATOR LAUTENBERG: Update the New Starts cost-per-mile chart on page 439 of Senate Hearings 100-354, Part 2, and the cost-effectiveness index found on page 438. Also provide the dollar per additional rider rankings for all the projects ranked to date.

ANSWER: The New Starts cost-per-mile chart is provided as requested although we do not find that this is a valuable measure of a project's cost-effectiveness. This chart does not account for any of the benefits generated by the project and that is why we use cost per new rider as a measure of comparison between projects. An updated chart with cost-effectiveness ratings follows and we have also provided the cost-effectiveness index for all the UMTA projects rated to date.

FY 1989 New Start Ratings

City/Corridor	Total Index
Projects that achieved threshold:	
Denver (North Ph 1 & 2)	$3.00
Atlanta (East)	$5.00
San Francisco (Colma)	$5.00
Projects that failed the threshold:	
St. Louis (Airport)	$9.50
Miami (DPM Extensions)	$15.20
Boston (Orange Replacement)	$26.30

UMTA Projects Rated in Prior Years

City/Corridor	Total Index
FY 1986:	
Seattle (Bus Tunnel)	$1.44
Atlanta (South)	$3.78
Houston (Southwest)	$4.73
Houston (Northwest)	$4.86
Atlanta (Northeast)	$5.96
Los Angeles (MOS-1)	$6.45
FY 1985:	
Detroit (Woodward)	$6.50

NEW START COSTS PER MILE
($'s in Millions)

CITY	CORRIDOR	STATUS*	LENGTH (MILES)	FEDERAL COST SEC 3	FEDERAL COST OTHER**	EST TOTAL COST	COST/ MILE
HEAVY RAIL							
ATLANTA	NORTHEAST/SOUTH	UC	10.6	$163	$21	$699	$65.94
	EAST EXTENSION	PE	3.1	$135 e	$0	$192	$61.94
LOS ANGELES	WILSHIRE (MOS-1)	UC	4.4	$605	$90	$1,250	$284.09
WASHINGTON ***	LAST 14 MILES	FD/UC	14.0		$2,025 e	$2,700	$192.86
LIGHT RAIL							
ST. LOUIS	AIRPORT	PE	17.5	$288 e	$2	$384	$21.94
SAN DIEGO	EAST	UC	11.1	$20	$43	$105	$9.46
SAN JOSE	GUADALUPE	UC	21.0	$205	$45	$470	$22.38
OTHER							
HOUSTON	NW BUSWAY (US 290)	UC	13.5	$41	$20	$110	$8.15
	SW BUSWAY (US 59)	UC	8.5	$52	$0	$102	$12.00
JACKSONVILLE	DOWNTOWN (ASE)	UC	0.7	$17	$7	$30	$42.86
MIAMI	DPM EXTENSIONS	PE	2.5	$180 e	$0	$240	$96.00
SEATTLE	DOWNTOWN BUS TUNNEL	UC	1.3	$196	$0	$395	$303.85

* STATUS KEY
O = OPEN
UC = UNDER CONSTRUCTION
FD = FINAL DESIGN
PE = PRELIMINARY ENGINEERING

** OTHER FEDERAL COSTS INCLUDE INTERSTATE TRANSFER, SECTION 9 AND STARK HARRIS (WASHINGTON, D.C.) FUNDS
*** WMATA IS LOOKING FOR ITS OWN APPROPRIATION OTHER THAN SECTION 3
e = ESTIMATED AMOUNT; FUNDS NOT OBLIGATED

SENATOR LAUTENBERG: Update the Office of Technical Assistance's lead program obligation experience to date (define "other").

ANSWER: The Office of Technical Assistance was reorganized in FY 1987 into four new program areas. These are the following: Safety; Mobility Enhancement; Research Training and Rural Transportation; and, Engineering and Evaluations. The following are actual obligations for the Office of Technical Assistance for FY 1987.

	Obligations Actual FY 1987
Safety	$1,251,972
Mobility Enhancement	4,964,420
Research Training & Rural	1,545,055
Engineering & Eval.	3,763,000
Other (Printing, SBIR)	197,805
	$11,722,252

An activity distribution for Fiscal Year 1988 and Fiscal Year 1989 has not yet been finalized.

SENATOR LAUTENBERG: When was the last Section 310 Report; When is the estimated date of the next Section 310 Report?

ANSWER: The Secretary's latest Section 310 Report, entitled "The Status of the Nation's Local Mass Transportation Performance and Conditions," was transmitted to Congress on June 23, 1987.

The Secretary's third "Section 310" Report, [Pursuant to 49 USC 308] is in the final stages of preparation and will be transmitted to Congress as soon as possible.

SECTION 3 -- DISCRETIONARY GRANTS

SENATOR LAUTENBERG: What criteria does UMTA use in making discretionary capital grant awards in the rail modernization, the bus, and the Section 16(b)(2) categories?

ANSWER: Rail Modernization funds are distributed with general reference to percentages based upon service factors and by taking into account the quality of proposed projects, intended use of formula funds, and grantee management of previous grant awards.

Proposed Bus projects are grouped into five priorities and ranked within each priority. The priorities currently are 1) Congressional Direction/Commitment; 2) Bus Maintenance Facilities; 3) Bus Fleet Expansion; 4) Bus Fleet Replacement; 5) Other (Intermodal terminals, bus malls, etc.). Projects are selected from these priority groupings.

Section 16(b)(2) funds are allocated by administrative formula (Based on the number of elderly & handicapped persons in each state and territory expressed as a percentage of the total elderly & handicapped population) to the states and territories. The states and territories are responsible for programming the funds to sub-recipients, and for developing the criteria for doing so.

SENATOR LAUTENBERG: For any of these discretionary grant awards, does UMTA consider consider how an applicant has used its Section 9 formula funds?

ANSWER: Yes. How a grantee uses its formula resources is a critical element in the decision to make a discretionary grant award. Section 3 is regarded as a scarce resource, and grantees are not permitted to expend their formula funds on projects of low priority, and then expect to receive discretionary money for more urgent activties.

SENATOR LAUTENBERG: List the recipients of Section 3 Rail Modernization and extension funds and aggregate amount by year awarded for fiscal years 1982 through 1988.

ANSWER: The information is provided below (With the exception of FY 1988 which is not yet available):

URBANIZED AREA	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
BOSTON	63.0	69.3	70.3	24.9	69.6	13.1
NEW YORK	252.5	283.0	153.2	161.3	122.8	120.2
NE NEW JERSEY	93.8	82.0	39.2	24.5	36.7	46.3
SW CONNECTICUT	18.0	21.6	4.8	0	0	27.0
PHILADELPHIA	94.4	105.1	63.7	6.0	91.3	52.5
S. NEW JERSEY	5.2	24.1	0	0	0.6	0
PITTSBURGH	81.5	50.0	79.0	42.8	0	3.6
CHICAGO	133.4	116.2	60.0	43.3	66.7	34.1
NW INDIANA	18.3	-	0	0	0	0
CLEVELAND	18.0	9.9	7.7	11.3	11.3	0
DETROIT	5.5	3.0	0	0	0	0
SAN FRANCISCO	62.1	70.9	66.1	26.5	47.0	22.0
DALLAS	0	27.2	0	0	0	0
BALTIMORE	0.5	6.2	0	0	0	0

NEW ORLEANS	0	0	0	2.4	33.0	0
LOWELL, MA	0.4	0	0	0	0	0
JOHNSTOWN, PA	0.2	1.5	1.5	0	0	0
CHATTANOOGA, TN	0.1	0	0	0	0	0
SEATTLE	0	0	0	0	0	0
TOTALS	848.9	870.0	545.5	343.0	479.0	318.8

SENATOR LAUTENBERG: List the top twenty recipients of Section 3 bus funds and aggregate amount awarded by year for fiscal years 1982 through 1988.

ANSWER: The information is provided below (with the exception of FY 1988 which is not yet available):

(in millions)

Recipient	FY 1982 - 1987 Total Obligations
Los Angeles	$123.6
Northeast New Jersey	107.7
Houston	90.2
San Francisco	89.2
Chicago	73.6
New Orleans	56.0
Baltimore	46.9
Dallas	45.5
San Juan, PR	18.6
San Antonio, TX	38.8
Philadelphia	37.3
Denver	37.0
Pittsburgh	35.2
Seattle	35.2
Miami	34.1
Indianapolis	30.4
Portland	29.7
Milwaukee	27.3
Buffalo	26.0
New York	22.9
St Louis	22.0

FULL-FUNDING CONTRACTS

SENATOR LAUTENBERG: What Full-Funding Contracts are now in existence? (With whom, for what purposes, covering what amount of money, total of the contract and yearly disbursement schedule if applicable.

ANSWER: The information follows:

Full Funding Contracts
(Dollars in Millions)

UZA	Issue Date	Funding Source	Project Description	Base Fed. Contract Amount	Funding Thru FY 87	FY 88	FY 89	FY 90	FY 91
Portland (LOI)	3/24/82	IT	Banfield LRT	$ 145.0	$ 145.0	-	-	-	-
		3		$ 92.8	$ 87.0	$ 5.8	-	-	-
Detroit (LOI)	7/25/83	3	Central Automated	$ 110.0	$ 110.0	-	-	-	-
		9A	Transit Systems	$ 14.1	$ 14.1	-	-	-	-
		9		$ 33.1	$ 33.1	-	-	-	-
Sacramento	9/28/83	IT	LRT	$ 88.1	$ 84.9	$ 3.2	-	-	-
		9A		$ 2.4	$ 2.4	-	-	-	-
San Jose (LOI)	6/22/84	3	Guadalupe LRT	$ 205.8	$ 205.4	$ 0.4	-	-	-
		9A		$ 6.5	$ 6.5	-	-	-	-
		9		$ 45.4	$ 41.4	$ 4.0	-	-	-
Jacksonville	2/1/85	3	Jacksonville	$ 15.5	$ 15.5	-	-	-	-
		9A	Automated Shuttle	$ 7.6	$ 7.0	$ 0.6	-	-	-
New York	3/12/86	3	Electrify LIRR	$ 102.6	$ 102.6	-	-	-	-
San Francisco	3/20/86	3	Daly City	$ 45.5	$ 45.5	-	-	-	-
		9	Turnback	$ 58.0	$ 58.0	-	-	-	-
		9A		$ 2.2	$ 2.2	-	-	-	-
Seattle	5/15/86	3	Bus	$ 196.5	$ 112.5	$68.3	$15.7	-	-
		9	Tunnel	$ 0.5	$ 0.5	-	-	-	-
Wash., D.C.	7/16/86	9H	Metrorail	$1,364.6	$1,364.6	-	-	-	-
Chicago	7/28/86	IT	S.W. Rail Proj.	$ 348.5	$ 298.3	$43.9	$ 6.3	-	-
Los Angeles	8/27/86	3	Wilshire Rail	$ 605.3	$ 509.0	$96.3	-	-	-
		9	(MOS-1)	$ 87.8	$ 87.8	-	-	-	-
		9A		$ 2.8	$ 2.8	-	-	-	-
New Jersey	11/6/86	3	Coast Line	$ 29.8	$ 29.8	-	-	-	-
		9	Electrification	$ 53.9	$ 53.9	-	-	-	-
Philadelphia	11/6/86	3	Frankford El	$ 97.2	$ 97.2	-	-	-	-
San Diego	11/17/86	3	East LRT Ext.	$ 20.2	$ 20.2	-	-	-	-
		9	(11.2 miles)	$ 38.2	$ 28.5	$ 9.7	-	-	-
New York	12/31/86	3	Metro North Commuter Rail	$ 63.0	$ 63.0	-	-	-	-
New York	12/31/86	3	Lexington	$ 60.0	$ 60.0	-	-	-	-
		9	Avenue Line	$ 73.3	$ 73.3	-	-	-	-
New Orleans	3/23/87	3	St. Charles St. Trolley Line	$ 35.4	$ 35.4	-	-	-	-
Cleveland	5/29/87	3	Tower City	$ 35.6	$ 35.6	-	-	-	-
		9A	Project	$ 1.6	$ 1.6	-	-	-	-
		IT		$ 4.0	$ 4.0	-	-	-	-
		9		$ 0.8	$ 0.8	-	-	-	-
Houston	9/11/87	3	Southwest	$ 62.0	$ 62.0	-	-	-	-
		5	Transit Way	$ 2.5	$ 2.5	-	-	-	-

SENATOR LAUTENBERG: What full-funding contracts are UMTA presently negotiating? What is the status of those negotiations and what do those contracts cover?

ANSWER: UMTA is currently negotiating four new Full Funding Contracts (FFC). First, UMTA is negotiating with Metropolitan Dade County, Florida for an FFC to cover the Omni and Brickell extensions to the Miami Metromover. The negotiations on this contract are nearly complete. Second, UMTA is negotiating with the Maryland Mass Transit Administration for an FFC to cover the Baltimore Metro Section C Project. The first draft of the FFC has been prepared by UMTA, and thus the negotiations are in a very early stage. Third, UMTA is negotiating with the Bi-State Development Agency for an FFC to cover the St. Louis Light Rail Project. The negotiations on this contract are nearly complete. Finally, UMTA has had preliminary discussions with the Denver Regional Transit District concerning an FFC for the I-25 North Corridor Busway Project. It is expected that negotiations will commence during the early summer.

CONTRACTING OUT

SENATOR LAUTENBERG: What percent of transit service is contracted out?

ANSWER: In 1987, 8.2 percent of total local operating budgets were contracted out, up from 6.6 percent in 1986.

SENATOR LAUTENBERG: Does this percentage vary by transit authority size? That is, are smaller transit authorities more or less likely to contract out services?

ANSWER: Yes, agency size does matter. The larger the agency, the more likely it contracts at least some service. However, the smaller agencies contract a greater percentage of their services. Larger agencies, on average, contract less than 10 percent of their service, while agencies with less than 25 vehicles that elect contracting contract between 45 and 50 percent of their work.

SENATOR LAUTENBERG: What types of transit service (or work) is usually contracted out? (Service off-peak; service for handicapped/elderly; maintenance of equipment; security; maintenance of stations; etc.)

ANSWER: Paratransit services are far more likely to be contracted out than are fixed route bus or rail services. Almost 60 percent of paratransit services are contracted, whereas only 7.6 of fixed route bus services are contracted.

EARMARKED PROJECTS -- RESEARCH

SENATOR LAUTENBERG: What is the status of the Fuel Cell Battery Powered Bus Project for which this committee has earmarked past appropriations.

ANSWER: UMTA has an Interagency Agreement with DOE which transfers $800,000 of FY 1987 UMTA Section 6 funds to DOE for the initiation of the fuel cell/battery

powered bus system development program as mandated by the Congress. The Congress also appropriated $1,000,000 in FY 1987 to DOE for this project.

A joint DOE/UMTA program plan has been developed which calls for DOE to be the lead organization for the first three phases of the program and UMTA to be the lead in the fourth phase. The program is proceeding in accordance with that plan. Argonne National Laboratory has been selected to provide technical management support to DOE for this program. Georgetown University has been selected to provide technical support to Argonne National Laboratory in the vehicle related aspects and to assist in contract management.

The four program phases are as follows:

Phase I - Proof-of-Feasibility for Fuel Cell/Battery System
Phase II - Proof-of-Concept in Test-Bed Bus
Phase III - Evaluation of Test-Bed Bus
Phase IV - Field Testing of Prototype Buses

A Request for Proposals (RFP) was prepared and issued for the work to be performed by a system design and integration contractor during Phases I and II. Two teams were selected, since each offered a unique fuel cell technology approach. The team of Energy Research Corporation, Los Alamos National Laboratory, and Bus Manufacturing, Incorporated will be developing an air-cooled fuel cell system. The team of Booz-Allen and Hamilton, Chrysler, and Engelhard will be developing a water-cooled fuel cell system.

Contracts for about $2.5 million each have been awarded with each team providing some project cost sharing. The Energy Research Corporation team's cost share is 28 percent. The Booz-Allen and Hamilton team's cost share is 25 percent.

A kick-off meeting with the two teams, DOE, UMTA, Argonne National Laboratory, and Georgetown University was held on March 10 at Georgetown University.

UMTA is presently preparing an amendment to the Interagency Agreement with DOE to transfer funds earmarked in the FY 1988 Congressional Appropriations Committee's reports for the continuation of this program.

SENATOR LAUTENBERG: What is the status of the Cold Weather Technology Project(s) that has received prior years earmarks? Please elaborate.

ANSWER: Congress directed UMTA in FY 1980 to provide a grant to the University of Notre Dame in the amount of $5,500,000 and an additional $5,500,000 in FY 1981. The University documented its research in 26 reports.

Congress also earmarked $2,500,000 of FY 1986 funds for this project. This amount was subsequently reduced to $2,343,000 in order to accommodate the 4.3% reduction due to the Gramm-Rudman-Hollings Deficit Reduction Act, and a $50,000 adjustment to cover the cost of a Congressionally directed study to evaluate the program. That study was submitted to Congress in August 1986.

A Cooperative Agreement in the amount of $2,343,000 was forwarded to the University of Notre Dame on February 14, 1987. The

University amended the agreement sent to them, and signed the amended version on January 15, 1988. UMTA has reviewed the Notre Dame revisions to the Cooperative Agreement in order to assure that all of the Federal funding requirements will still be met, and that the understanding reached between the University and the UMTA technical staff on the research activities are correctly reflected.

This Cooperative Agreement allows the completion of the radio frequency research on the third rail tracking switch deicing. It also includes adequate testing and comparison of the radio frequency concept with the conventional heater tape technique currently used by virtually all of the rail transit properties.

SENATOR LAUTENBERG: What is the status of the $1 million earmarked for the Easter Seals demonstration projects on "making transit accessible for handicapped?"

ANSWER: We are presently reviewing a grant application submitted by the Society for a multiyear project.

PRIVATE GRANTS

SENATOR LAUTENBERG: UMTA provided a grant to Maryland DOT for upgrading its centralized electronic train control system. How much was this grant for?

ANSWER: The grant was for $9.8 million (federal share).

SENATOR LAUTENBERG: In effect, this was a pass through to CSX Corp., to upgrade the system on privately owned tracks that are used by a public transit authority. Has UMTA ever made this type of grant in the past? If so, please list to whom, for what purpose, when, and the size of the grant.

ANSWER: This grant will not be a pass through to the CSX Corp. The funds will be utilized by Maryland's State Railroad Administration to increase capacity and eliminate delays to MARC, the commuter network serving Baltimore, MD, Washington, DC and Brunswick, MD, caused by mixed operation with CSX's freight services. Grants of this type have been made to assist in improvements to the Chicago area's large commuter network, which was, until recently, completely operated under contract by private railroads. The grants were made to the area's public authority responsible for commuter rail. Grants have also been made to CALTRAIN, a commuter service between San Francisco and San Jose, CA operated by the State of California but using tracks owned by the Southern Pacific.

SENATOR LAUTENBERG: Are there restrictions on UMTA's ability to provide discretionary capital grants to private parties? If so, what are they?

ANSWER: Under the section 3 discretionary program, the Secretary is authorized to make grants "... to assist States and local public bodies and agencies thereof in financing ..." transit projects. Thus, by the terms of the statute itself, UMTA cannot make a section 3 grant to

a private party. The grant always must be made to a public body.

SENATOR LAUTENBERG: Are there restrictions on a public transit provider from passing through either operating or capital grant money to a private party? (Formula and/or discretionary money.)

ANSWER: There are no restrictions on the ability of a public transit provider to provide Federal capital or operating funds to a private party for transit purposes. Of course, as in any grant, all Federal requirements would have to be met under any such grant.

PROJECT MANAGEMENT OVERSIGHT (PMO)

SENATOR LAUTENBERG: What will this contracted oversight of major capital projects cover: Compliance with Federal requirements such as Buy America, or safety? When will final regulations be published?

ANSWER: The overall objective of the Project Management Oversight Program (PMOP) is to assure UMTA that the grantee's projects are properly staffed, managed, and executed in accordance with established procedures, plans, specifications, and principles in a timely manner. In general, our PMOP contractors are involved in monitoring the grantee's adherence to an established budget, schedule and quality level. However, PMOP contractors may assist UMTA in reviewing grantee's compliance with any aspect of a grant agreement.

We have had to use one of our contractors to help resolve a Buy America problem. In several situations our contractors have brought safety issues to our attention and that of the grantee.

We anticipate that the final regulation will be published in the next two to three months.

SENATOR LAUTENBERG: Last year you indicated that substantial savings could be shown for the Project Management Oversight Process within a year. Can UMTA now demonstrate savings from project management oversight?

ANSWER: Yes - Some recurring themes that pertain to many of the projects being overviewed are the need for grantees to strengthen their project controls, specifically cost and schedule control, and their quality assurance programs. This is not a new revelation, however, what is new is the fact that deficiencies in these project functions are being brought into focus by the PMOP contractors in the early stages of projects. This early identification effort results in substantial savings to projects in terms of avoided cost.

Accomplishments, and hence benefits, of the Project Management Oversight Program (PMOP) have been substantial. Although not always readily quantifiable in terms of dollars saved there are accomplishments that can claim a specific dollar savings. For example; $2.5 million saved by a grantee due to the PMOP contractor

recommending and the grantee implementing a value engineering study; $10 million saved due to the PMOP contractor advising that certain capital expenditures under consideration were not required to meet the project's objective.

The program is functioning as designed. Specifically, the program is operating in a problem avoidance mode, and not in an after-the-fact problem resolution mode. When this process functions effectively, as it has been, there are no downstream problems to quantify. Even in projects where problems are encountered such as cost overruns, schedule slippage and/or improper quality, the impact of the problems are minimized because they are brought out in the open and addressed. The presence of the PMOP contractors does not readily allow grantees to sweep problems under the rug.

Some specific examples of the accomplishments of this program include instances where the oversight contractors have:

* Informed UMTA of a major violation of statutes and regulations relating to Buy America requirements applicable to the acquisition of light rail vehicles. The PMOP contractor then assisted UMTA in attaining a settlement agreement with the grantee and its supplier, as well as monitored compliance with the agreement.

* Recommended that a system was not ready, from a safety perspective, to initiate revenue operations. The grantee accepted this recommendation and implemented safety modifications prior to commencing revenue operations.

* Assisted UMTA in presssing for a contractor maintenance and inspection program to overcome a pre-existing problem of low concrete cover over reinforcing steel in guideway beams. A maintenance and inspection program has been approved for which the contractor will contribute $3.0 million. Also on this project the PMOP contractor reviewed design documents for guideway beams that had cracked. This review revealed design errors; the contractor has paid for over $4.0 million in guideway beam repairs.

* Pointed out that disruptions to the orderly progress of project work are being caused by the independence of the Force Account Departments. The project was reorganized to include cost and schedule disciplines for Force Account work, thus allowing more positive control of the project and protecting the completion date for the project.

* Encouraged the grantee to establish a Quality Assurance function. The grantee has changed its organization to accommodate such a function and has hired a manager to lead the activity. This change should improve the grantee's ability to provide projects built to specifications.

* Alerted UMTA to the signigicant inadequacy of the project budget, prompting UMTA to notify the grantee of its obligation to identify the source of funds to pay the excess cost estimated to be over $43.0 million.

* Recommended that a grantee hire a Value Engineering consultant to conduct a VE study. The subsequent study resulted in projected savings to the project of $2.5 million.

* Recommended, and the grantee implemented, an in-house Critical Path Method scheduling system to facilitate project control. This system will allow the grantee to better tract construction interfaces and pinpoint schedule problems.

SENATOR LAUTENBERG: List the amount of funds and the accounts which UMTA has used for Project Management Oversight expenses.

ANSWER: A list of the funds obligated to the Project Management Oversight Program is attached.

Project Management Oversight - Obligation Data

as of 04/01/88

Fiscal Year	Source of Funds: Sec 6	Sec 8	Sec 3	Sec 9	Sec 18	Stark Harris	Int Tran	TOTAL
84	$740,000	$384,547	-	-	-	-	-	$1,124,547
85	$250,000	$1,940,135	-	-	-	-	-	$2,190,135
86	-	$1,995,508	$3,786,805 *	$1,981,272 *	-	$1,086,195 *	$936,936 *	$9,786,716
87	-	-	$4,553,350 *	$9,193,749 *	-	$986,507 *	$294,490 *	$15,028,096
88	-	-	$397,782 *	-	-	-	$37,265 *	$435,047
TOTAL	$990,000	$4,320,190	$8,737,937 *	$11,175,021 *	$0	$2,072,702 *	$1,268,691 *	$28,564,541

NOTE: * Indicates Funds obligated from the 1/2 % PMO set-aside. Other obligations are from the Technical Studies or Research funds.

The total amount currently obligated from the 1/2 % PMO set-aside is : $23,254,351

SENATOR LAUTENBERG: Are the PMO costs for each individual project near one-half of one percent? If not, should the drawdown be increased or decreased? Please elaborate.

ANSWER: On the average, the cost of the oversight contractors equals 0.37% of the total cost of the projects for which Project Management Oversight Program (PMOP) contractors are assigned.

The individual PMOP cost per project varies from 3.1% on the St. Charles Rehabilitation project in New Orleans to 0.01% for a review of the cost estimate for

the Miami People Mover Extension Project. The varience is due to many factors including: status of the project when the PMOP contractor is assigned, size of the project, capability of the grantee, and UMTA regional needs.

Since, on the average, the PMOP is being effectively managed within the total 1/2% takedown, we do not believe it is necessary to adjust the 1/2% figure at this time.

SENATOR LAUTENBERG: List those projects or PMO contracts that required more than one-half of one percent of the project's funds.

ANSWER: The following list represents our PMOP cost as a percentage of the total cost of the project being overviewed:

Project	%	
Miami, People Mover Extension	0.01	(Cost Estimate Review)
San Juan, Agua Guagua	1.03	
Jacksonville, People Mover	1.88	
Philadelphia, Norristown Rehabilitation	0.08	(Initial Review Only)
Los Angeles, Metrorail	0.61	
Philadelphia, Frankford Rehabilitation	1.06	
Seattle, Transit Tunnel	0.21	
New Orleans, St. Charles Rehabilitation	3.10	
San Francisco, BART's Capacity Expansion Program	0.30	
Boston, MBTA Capital Program	0.02	(Initial Review Only)
New York/New Jersey, Nine Projects	0.82	
Chicago, Southwest Corridor	0.19	
San Diego, Light Rail	0.72	
Houston, Northeast and Southwest Transitways	0.62	
Cleveland, Tower City Project	0.09	(Initial Review Only)
St. Louis, Light Rail	0.10	(Initial Review Only)
Washington, D.C. Metro Rail	0.11	
Sacramento, Light Rail	0.60	

SAFETY - SECTION 22

SENATOR LAUTENBURG: How does UMTA monitor the safety conditions of its grantees? To what extent do your triennial reviews address the safety of grantee systems? Do they cover the adequacy of the grantee's own safety inspection programs?

ANSWER: UMTA's monitoring of the safety conditions of its grantees takes several forms. Paramount are the provisions of Section 22 of the Act which empower the Secretary to demand corrective actions for situations that create a serious hazard of death or injury.

Regional offices maintain regular contact with grantees through a number of channels, such as quarterly progress meetings and reports from project management oversight (PMO) contractors on major projects, triennial reviews, and annual evaluations of grant applications. In addition, safety-related information is reported to UMTA annually through Section 15 submissions by all grantees, and through a special voluntary reporting system for additional safety information on rail transit systems.

Triennial reviews cover safety of grantees in a very general way. It must be understood that generalists perform these reviews, not safety inspectors. During the reviews regional staff emphasize that safety is one of the highest priorities of the Department of Transportation. Pertinent questions are asked to determine if the grantee has a formal safety program which has been implemented and is monitored. Additionally, we determine whether or not the grantee has a policy relating to drug/alcohol abuse, employee training for equipment operations, emergency preparedness, as well as reviewing accident records and trends. If the records and replies to our inquiries indicate that there is a possible problem, appropriate headquarters officials are apprised. Triennial reviews are not geared to cover the adequacy of the grantee's own safety inspection programs.

SENATOR LAUTENBERG: Does UMTA have guidelines for initiating a safety review under the authority of Section 22?

ANSWER: UMTA does not have "guidelines" for determining whether to initiate a safety review under Section 22. Specifically under the UMT Act of 1964, as amended, Section 22 reads "The Secretary may investigate conditions in any facility, equipment or manner of operation financed under this Act which the Secretary believes creates a serious hazard of death or injury".

When UMTA receives information that a situation may be present where a hazard may warrant an investigation, UMTA may undertake such an investigation. Information may be received from anyone, but is usually supported by the presence of a series of incidents or major faults that indicate the need for more extensive evaluation.

SENATOR LAUTENBERG: Does UMTA expect to contract out the Section 22 reviews?

ANSWER: The recent Section 22 review of the Norristown High Speed Line was contracted out, although there was Federal participation from the Transportation Systems Center in that particular evaluation. Decisions on whether to contract out or perform the reviews with government personnel are made based on skill needs and availability of resources and are dependent on the technical needs of the specific review.

UMTA intends to encourage State authorities, to adapt investigative activities similar to those conducted by the New York State Public Transportation Safety Board.

UMTA'S SAFETY ROLE

SENATOR LAUTENBERG: Has UMTA responded to the Task Force's Recommendations? What plans does UMTA have concerning implementation of the recommendations?

ANSWER: On November 13, 1987, the Administrator provided a formal response to the Deputy Secretary on the Safety Review Task Force report. The Task Force report was helpful and an important contribution in the continuing evaluation of the UMTA safety program.

The careful evaluation and response to each of the recommendations is one of the elements in the office's 1988 UMTA Safety Program Plan.

Subject to the Administrator's approval the new safety office is in the process of implementing task force recommendations such as the development of a long term safety program, addressing drug and alcohol problems, and working with small and rural transit systems to address safety concerns. Safety is a continual process requiring training and education and we will be working with State and local agencies and the private sector to identify ways in which they can assist in these important training activity and technical assistance.

SENATOR LAUTENBERG: What is the role of the Office of Safety under the Association Administrator for Technical Assistance in UMTA? Are staffing levels and funding sufficient? Is the role of the office being reconsidered because of the task force report?

ANSWER: UMTA has had an active safety program since the mid 1970's. Although it has changed in emphasis periodically it has always been pro-active and important to the transit industry.

UMTA's legislation reflects the intent of Congress that UMTA not regulate urban mass transportation as it goes about its basic mission of providing financial assistance. With the exception of a limited investigative statute (Section 22), Congress has authorized UMTA to promote safety solely through technical assistance and grant management actions. UMTA's new Office of Safety will give transit safety the prominence called for without altering UMTA's basic mission. It will accomplish this by emphasizing the proper role of State and local agencies and by working with the existing mechanisms of transit safety.

UMTA's safety technical assistance primarily takes the form of training. Virtually all studies, reports and guidelines prepared by UMTA are utilized in the UMTA training courses. UMTA is assisting the States to enhance their role in the oversight of public transit safety. We are assisting by providing technical assistance in such areas as: fire detection and suppression, fire safety countermeasures, emergency preparedness, and evacuation of the elderly and handicapped from both bus and rail.

Because transit is the result of multiple actions by Federal, State and local agencies, interaction of those groups requires a thoughtful approach in which the use of Federal regulations are only one tool. Federal action that

pre-empts local, regional or State accountability responsibility is a situation to be avoided.

Based on this approach to safety the Safety Office should have sufficient personnel and funding resources to further the program's goals and objectives.

SECTION 15 DATA

SENATOR LAUTENBERG: Given that some Section 15 data are used in allocating Section 9 formula grants, what data are used for making current allocations? Is is reasonable to use data that are several years old?

ANSWER: Apportionment of funds to urbanized areas under the Section 9 program are made on the basis of a statutory formula. In general, the formula funds are apportioned on the basis of population and population density for urbanized areas under 200,000 in population; and for urbanized areas over 200,000 in population, population, population density, fixed guideway route miles, bus and fixed guideway vehicle revenue miles, bus and fixed guideway vehicle passenger miles travelled and operating costs. Ferryboat services operated either by a recipient or under contract, and electric trolley buses using overhead catenary for power distribution, are included, by statute, as fixed guideway systems for purposes of calculation.

The only data items which may be several years old are population and population density, which are taken from or based on the most recent decennial census. The transit operating and financial statistics used are the latest validated data submitted for the Section 15 Report. This is data for the fiscal years of grantees ending in the calendar year immediately preceding the Federal Fiscal Year of Section 9 apportionments. The data therefore ranges from only 9 to 20 months in age across the universe of reporters. We believe this is quite reasonable.

SENATOR LAUTENBERG: When does UMTA expect to publish the Section 15 reports for 1986 and 1987? Has UMTA any plan to obtain pertinent data on a more timely schedule?

ANSWER: UMTA expects to publish the 1986 SECTION 15 ANNUAL REPORT in June, 1988. The 1987 annual report should be published by November of 1988.

Steps have already been taken to improve the timeliness of the Section 15 annual report. First, UMTA purchased a new computer and new software to (1) speed up the validation and report aggregation processes and to (2) allow UMTA to work on two Section 15 report years at the same time. This will allow the validation of reports as soon as they are received, as opposed to having to close out one year's data before beginning the next report year.

Additionally, the new Section 15 regulation published in the FEDERAL REGISTER September 25, 1987, specifies procedures for handling late and incomplete Section 15 submissions. It is expected these new procedures will greatly increase the timeliness of both

the Section 15 annual report and the Section 15 data used in the Section 9 formula apportionment.

SENATOR LAUTENBERG: How does UMTA verify the reliability of the data reported to UMTA by the grantees?

ANSWER: There are approximately 400 manual and computerized validation checks performed on each Section 15 report submitted. The preliminary review process involves the scanning of submissions for completeness and general compliance with the Section 15 reporting requirements. The detail review process includes manual/computerized inter-form consistency checks, total/sub-total arithmetic checks, relational checks, time series checks, missing data checks, etc.

Additionally, all transit agencies who operate fifty vehicles or more in maximum service and serve urbanized areas of 200,000 or more were required to submit an independent auditor's certification of the Section 15 data to be used in the Section 9 formula allocation.

TRIENNIAL REVIEW

SENATOR LAUTENBURG: Has UMTA conducted any evaluations on the triennial review process? What is UMTA's view of the effectiveness of the process? Are any changes planned in the triennial reviews?

ANSWER: UMTA performed an evaluation of the triennial review process when the first three-year cycle was completed. A copy of the evaluation report is being provided to the Subcommittee. The triennial review program has been effective in monitoring grantee compliance with federal requirements and in bringing noncompliant grantees into compliance. In addition, the program has enhanced the regional office/grantee relationship, enabled UMTA to determine that overall program guidance is adequate and provided a useful secondary mechanism for disseminating information on federal policies and regulations. Also, the triennial review process has yielded significant savings in both cost recoveries in the amount of $9,368,608 and cost avoidance in the amount of $1,214,000. These accomplishments have been achieved with existing staff and budget. The only major change planned in the review program is in reporting the findings. During the second cycle exception reporting highlighting only the areas of noncompliance will be used.

TRIENNIAL REVIEWS: A THREE YEAR SUMMARY

The Triennial review is a new and important administrative process made a part of the Urban Mass Transportation Act by the Surface Transportation Assistance Act of 1982, which established the Section 9 formula grant program. The Law requires the Secretary to perform a full review and evaluation of a recipient in carrying out its program, with specific reference to statutory and administrative requirements. This post-grant review process is a

significant departure from administrative practice in the Section 3 discretionary capital grant program, which requires the Secretary to make positive determinations of compliance prior to making grants. Inasmuch as FY 1987 concluded the first three-year cycle of reviews, it is an appropriate time to evaluate the program's effectiveness in carrying out its mission.

All 420 grantees were reviewed during the first three-year cycle, satisfying the statutory requirement. Our analysis of triennial review findings indicates that grantee compliance exceeds 90 percent. Where noncompliance situations are found, timetables are established for completing corrective actions. We are satisfied that the triennial review process is a very effective mechanism for assessing grantee compliance and for bringing noncompliant grantees into compliance with federal requirements.

In addition to assessing the triennial review program's ability to perform its primary mission, there are several other aspects of triennial review implementation that merit consideration. The triennial review program has been successfully administered with existing staff and budget. An internal working group identified the statutory and administrative requirements to be reviewed and developed a methodology for conducting the reviews. Reporting procedures were developed to assure adequate documentation. The process was codified in an UMTA Notice. An automated reporting and tracking system was created to analyze the progress and results of the reviews, and training was provided to assure that the program would be implemented uniformly. Because the triennial reviews are conducted by UMTA's regional offices, their performance has been monitored and evaluated for adherence to procedures and guidance by headquarters.

Although adjustments to the original procedures have been made throughout the first three years (most notably to the reporting requirements), the triennial review program has developed in an orderly, stable manner.

From the standpoint of productivity, the regional offices have successfully incorporated the reviews -- both the desk and site reviews -- into their work plans, completing all that were scheduled. A by-product of the review process has been the enhancement of the regional office/grantee relationship. Both grantees and regional office personnel acknowledge that they have a greater appreciation for and understanding of UMTA's requirements as a result of the triennial review program. In addition, the regional offices have acquired a more comprehensive knowledge of their grantees, better enabling them to assess needs and review grant applications.

In some regions, owing primarily to staffing problems, the timely production of triennial review narrative reports was a recurrent problem. Despite extensive assistance from other regional offices and headquarters staff, the backlog

of unissued reports continued to be a problem. However, as of October 1, 1987, a changeover from a narrative reporting format to an exception reporting format should substantially reduce the burden of writing and processing reports.

In addition to administration and productivity assessments, it is appropriate to assess the results of the triennial reviews. After three years, only four of the 19 items reviewed are found to be compliance problems occuring in more than 20 percent of the reports. This is a significant improvement from 1985, the first year, when there were seven review items found to be problems in at least 20 percent of the reports. The overall level of compliance has improved from approximately 80 percent in 1985 to the current level in excess of 90 percent. These improved percentages are attributed to the review process, which has caused grantees to become familiar with federal requirements, as well as efforts by the regional offices to stress the importance of correcting noncompliances found during the reviews.

The generally high level of compliance suggests that UMTA's program guidance and information dissemination are adequate. Similarly, the high level of compliance suggests there is no widespread effort on the part of UMTA's grantees to avoid compliance. Furthermore, it can be presumed that the cooperative (rather than adversarial) spirit in which these reviews have been conducted has contributed to the high level of compliance.

The four review items which appear as compliance problems in more than 20 percent of the trienial reviews are: CONTINUING CONTROL, MAINTENANCE, CIVIL RIGHTS and PRIVATE SECTOR POLICY. CONTINUING CONTROL is a broad category encompassing issues such as inventory control, spare ratio, and audit matters. Even though many continuing control problems can only be corrected over time, we are noticing significant progress in reducing high spare ratios and many grantees are using grant funds to modernize inventory control systems.

MAINTENANCE non-compliance is generally attributable to the absence of a written maintenance plan -- a relatively easy problem to correct. Even though CIVIL RIGHTS issues represent a significant percentage of triennial review noncompliance, UMTA's Civil Rights programs contain enforcement procedures of their own which appear to be effective and adequate. Noncompliance with UMTA's PRIVATE ENTERPRISE POLICY was found in the over 20 percent group, which seems to indicate that the policy is unclear to grantees, the dissemination of the policy guidance has been inadequate, or that the policy is new and therefore compliance is predictably low. Regardless, the review process should significantly reduce noncompliance for this item.

It has been suggested that the triennial review program represents an effective vehicle for informing UMTA grantees

about federal requirements and policies, or for obtaining information from grantees. True, the triennial review process confronts grantees with the federal requirements, but more as a secondary level of information dissemination. Primarily, it measures the effectiveness of UMTA's information dissemination activities, or the degree to which UMTA's grantees have understood program guidance. New requirements should be communicated when they are proposed or implemented, not tied to a triennial review schedule. The triennial review, in other words, is not the proper instrument for promulgating new requirements, policies, etc. Regarding the utilization of triennial reviews to gather information, it should be noted that we have now changed to an exception report format which will contain far less information than the narrative report format used during the first three years.

In conducting the triennial reviews and initiating corrective actions, UMTA has either recovered or avoided spending more than $10 million, and induced grantees to implement management efficiencies to hold operating costs down. Attachment 1 identifies these cash recoveries, cost avoidances and management improvements.

CONCLUSIONS

The triennial review program has been effective in monitoring grantee compliance with federal requirements and in bringing noncompliant grantees into compliance. In addition, the program has enhanced the regional office/grantee relationship, enabled UGM to determine that overall program guidance is adequate and provided a useful secondary mechanism for disseminating information on federal policies and regulations. Finally, the triennial review process has yielded significant savings in both cost recoveries and cost avoidance. These accomplishments have been achieved with existing staff and budget.

Attachments

MAJOR CASH RECOVERIES, COST AVOIDANCE AND INCREASED MANAGEMENT EFFICIENCY DERIVED FROM THE FY'S 1985, 1986 AND 1987 TRIENNIAL REVIEWS

Location	Cash Recoveries		Cost Avoidance		Increased Management Efficiency
	Explanation	Amount	Explanation	Amount	Explanation
URO-1					
MBTA, Boston	High spares ratio. Sale of excess buses	$700,000			
RIDOT, Providence	High spares ratio. Sale of excess buses	12,000			
Lowell RTA, MA					Computerized property control register reduced the possibility of excess inventory
NHDOT, Concord, NH					Revised operating contracts with sub-recipients to include a preventive maintenance clause protecting UMTA funded equipment
Manchester TA, NH					Reduced spare ratio, therefore, operating cost. Potential for cost avoidance when excess buses are placed with other regional grantees
Lewiston-Auburn Transit Committee, Maine					Established better record-keeping system to improve financial management. Developed systemwide inventory and long-lived asset tracking system

Location	Cash Recoveries		Cost Avoidance		Increased Management Efficiency
	Explanation	Amount	Explanation	Amount	Explanation
Southern RTA, Fall River-New Bedford, MA					Conducted systemwide inventory and established property record-keeping system to improve capital replacement needs
Middleton TD, CONN					Performed systemwide inventory and tracking system to improve planning of inventory replacement
	URO-1 Total	$712,000			
URO-2	Information not provided		Information not provided		Information not provided
URO-3					
WMATA, DC	Deobligation of funds	$100,000			
WMATA, DC	Refund of Federal share of Missing Assets	27,000			
Richmond, VA	Deobligation of funds	450,000			
Richmond, VA	Sales Proceeds	8,600			
Charlottesville, VA	Deobligation of funds	125,000			
	URO-3 Total	$710,600			

Location	Cash Recoveries		Cost Avoidance		Increased Management Efficiency
	Explanation	Amount	Explanation	Amount	Explanation
URO-4					
Jacksonville, FL	Unreported proceeds from sales	$ 96,000			
Sarasota, FL			Recommended pursuing manufacturer's warranty	$500,000	
URO-4 Total		$ 96,000	URO-4 Total	$500,000	
URO-5					
Minn/St., Paul					Moratorium on bus purchases until spares ratio is reduced and contingency fleet is adequately maintained
SEMTA, Detroit					Moratorium on bus purchases until large spares ratio reduced
Cleveland, OH					Disapproved existing bus application until spares ratio is reduced
Rockford MTD, IL	Fleet size reduced. Also, garage reduced 20%	$ 1,000,000			
Peoria MTD, IL					Required competitive procurement of professional services
City of Eau Claire, WI	Excessive buses	500,000			

Location	Cash Recoveries		Cost Avoidance		Increased Management Efficiency
	Explanation	Amount	Explanation	Amount	Explanation
Milwuakee County, WI	Cannibalizing buses. Potential salvage value to be returned to UMTA				Developing computerized inventory control system
Madison Metro, WI	Excessive fleet. Will dispose of 13 buses. Potential refund				
Akron Metro TA, OH	Sales Proceeds refunded	10,520			
Saginaw Transit, MI	Refund proceeds from sale of shelters	3,305			
Greater Cleveland RTA, OH	Early removal of AM General buses from service	3,126,000			Instituted computerized inventory control system
Fort Wayne PTC, IN	Excessive spares bus ratio. Potential recovery				
Toledo ARTA, OH	Excessive spares bus ratio. Potential recovery				
Muncie PTC, IN					Instituted inventory control system
South Bend PTC, IN					Developed maintenance plan, inventory control system

Location	Cash Recoveries		Cost Avoidance		Increased Management Efficiency
	Explanation	Amount	Explanation	Amount	Explanation
Metropolitan TC, Minneapolis, MN	Deobligated funds when project closed out	343,628			
	Sales proceeds return to UMTA	316,793			
Bay City Metro, MI	Discontinued exclusive school bus service. Merged into regular service	50,000			
Kalamazoo Metro, MI	Disposed of excessive buses	15,000			
	URO-5 Total	$1,365,246			
URO-6					
Little Rock, AR	High spares ratio. Sale of excess buses	$ 20,000			
Tulsa, OK	Sale of excess equipment	10,000			
DTS, Dallas	Recovering Federal share of sales proceeds	450,000			Computerization of non-compliant expendable inventory leads to reduced inventory
Galveston, TX	Cannibalized bus	7,000			
Bernard Parish, LA	Illegal contract. Reported to OIG	60,000	Cancelled illegal contract. New contract savings	$ 20,000	

Location	Cash Recoveries		Cost Avoidance		Increased Management Efficiency
	Explanation	Amount	Explanation	Amount	Explanation
New Orleans, LA	Excess equipment sold	40,000			
New Orleans, LA	Excess buses sold	15,000			
Jefferson Parish, LA					Monitoring farebox receipts results in 3% increase in receipts, reduction in operating grant
Corpus Christi, TX			Excess land. Purchase reduced	20,000	
Fort Worth, TX			Reduced bus covered parking	75,000	
El Paso, TX	High spares ratio. Sell excess buses	25,000			
			Reduced by 10 the number of vans to be purchased	15,000	
					Instituted systemwide inventory, Biennial Certification
	Excess land to be disposed of. Potential sales proceeds				
Lafeyette, LA	Excess maintenance facility. Potential sales proceeds. Excess facility, sign shop. Potential refund				

Location	Cash Recoveries		Cost Avoidance		Increased Management Efficiency
	Explanation	Amount	Explanation	Amount	Explanation
Las Cruces, NM	Excess buses sales proceeds	1,000			
			Agreed not to build, install, bus washer	100,000	
	URD-6 Total	$628,000	URD-6 Total	$230,000	
URD-7					
Des Moines, IA	Sale of excess buses	$24,000			
Springfield, MO	Excess parts, buses	11,000			
Kansas City, MO	High spares ratio, Excess buses	130,000			
Bi-State, MO	High spares ratio Excess buses	250,000			
Davenport, IA	Excess land	200,000			
Waterloo, IA	Excess equipment	7,000	Reduced procurement by three buses	$350,000	
Sioux City, IA	Excess buses	5,000			
Lincoln, NE	Excess bus, equipment	10,000			
Rock Island MATD, IL	Dispose of excess land	25,000			
Omaha TA, NE	Reduce spare buses	20,000			

Location	Cash Recoveries		Cost Avoidance		Increased Management Efficiency
	Explanation	Amount	Explanation	Amount	Explanation
East-West Gateway CC, St. Louis, MO					Increase staffing and improve management for LRT project
Iowa City, IA			Implement purchase of coaches, thus avoiding cost escalation	20,000	
East Dubuque, IA			Implement delayed project avoiding cost escalation	2,000	
	URO-7 Total	$682,000	URO-7 Total	$372,000	
URO-8					
Fargo, ND	Discontinued school bus service with UMTA equipment.	$250,000			
Fargo, ND	Cancelled non-competitive procurement for services	600,000	Competitive procurement savings for 2 years	$112,000	
Pueblo, CO	Federal share of casualty loss	40,000			
City of Grand Forks, ND					Improved affirmative action practices by the City
Billings, MT					Improved Financial Records

Location	Cash Recoveries		Cost Avoidance		Increased Management Efficiency
	Explanation	Amount	Explanation	Amount	Explanation
Pueblo, CO	Casualty loss of bus	35,955			Management consultant is engaged to assist City with TDP
City of Fort Collins, CO	Sale of replaced buses	13,207			Inventory of all assets. Credit given to appropriate projects.
	URO-8 Total	$939,162	URO-8 Total	$112,000	
URO-9					
Tucson, AR	Federal share of pre-casualty value of bus	$ 19,600			
AC Transit, Oakland, CA					New financial plan that demonstrates stability and adequacy of funding sources.
					New "Facilities Administrator" position established to improve control over large construction projects.
City of Arcadia, CA					If the City decides to use UMTA operating assistance to support its dial-a-ride service contract, it will conduct a competitive procurement for a follow-on contract.

Location	Cash Recoveries		Cost Avoidance		Increased Management Efficiency
	Explanation	Amount	Explanation	Amount	Explanation
Culver City, CA					Letter of assurance for federally funded procurements. Modified fixed-asset inventory recordkeeping system. Submitted contigency plan for vehicles
Monterey County, CA					Explanation and timetable for periodic auditing of third-party operating contract. Improvements in the contractor's reporting system to the county regarding maintenance statistics. Measures to ensure that contractor reports all accidents and incidents to county. Biennial certification. Improved recordkeeping. Submitted copy of the property inventory record
Napa, CA					Revised procurement procedures. Improved operating contractor's reporting system. Implemented property inventory and record keeping requirements
City of Norwalk	Sales Proceeds	$ 1,000			Modified procurement procedures. Submitted justification for the current high spares ratio and plan for reducing it. Submitted report on the disposition of two dial-a-ride vans

Location	Cash Recoveries		Cost Avoidance		Increased Management Efficiency
	Explanation	Amount	Explanation	Amount	Explanation
Riverside Transit, CA					Submitted biennial certification of use of project facilities
Santa Clara County TD, CA					Instituted policy on third-party contract audits. Improved professional services contract administration. Improved self-insurance program.
SCRTD, Los Angeles, CA					Modified procurement procedures to add protest procedures. Clarified understanding of charter service. Submitted contingency plan currently being used to support SCRTD's contigency fleet.
Sonoma County, CA					Submitted biennial certification. Modified procurement procedures to add protest procedures. Modified fixed assets recordkeeping system.
Laguna Beach, CA	Proceeds from sale of excess equipment	2,000			Improved control on equipment and facilities
	URO-9 Total	$22,600			
URO-10					
Boise, ID	Assets not used in mass transit	$ 47,000			Improved competitive procurement. Potential cost reduction next year.

Location	Cash Recoveries		Cost Avoidance		Increased Management Efficiency
	Explanation	Amount	Explanation	Amount	Explanation
Tacoma, WA	Sales proceeds	107,000			
Long View, WA	Assets not used in mass transit	52,000			
Pierce County PWD of Tacoma, WA					Revised incomplete inventory recordkeeping procedures
Whatcom TA, Bellingham, WA					Revised incomplete inventory recordkeeping procedures and biennial certification process
Tri-Met Portland, OR					Closed capital grants. Improved procurement procedures on procurements not requiring UMTA review
Anchorage, AK					Enhanced bus fleet utilization. Developed updated TDP. Improved equipment inventory process
Snohomish Co. TA Lynwood, WA					Improved quality, timeliness of quarterly reports. Initiated audit catch-up activity
Rogue Valley TD, Medford, OR					Improved staff management structure Created and filled position of Director of Operations

Location	Cash Recoveries		Cost Avoidance		Increased Management Efficiency
	Explanation	Amount	Explanation	Amount	Explanation
Salem Area MTD, OR	Sales proceeds	7,000			Expedited progress on approved UMTA projects
Kitsap Transit, Bremerton, WA					Instituted five-year financial plan. Developed written maintenance plan. Revised inventory recordkeeping procedures. Updated TDP. Improved Improved quality and timeliness of quarterly reports
	URO-10 Total	$213,000			
	Grand Total	$2,368,608	Grand Total	$1,214,000	

TRANSIT DATA

SENATOR LAUTENBERG: Of the total, what amount and what percent of transit users are from cities over 1 million, between 1 million and 200,000 and 50,000 and areas below 50,000?

ANSWER: Areas of over 1 million account for about 7.4 billion rides or 86 percent of the national total of about 8.55 billion. Areas 200,000 to 1 million account for about 740 million rides or about 9 percent of the total. Areas 50,000 to 200,000 account for about 233 million rides or about 3 percent of the total. Areas under 50,000 account for about 172 million rides or about 2 percent of the total.

SENATOR LAUTENBERG: What is the Federal per capita funding (including formula and discretionary funds) by city size?

ANSWER: The information follows:

FY 1987 FEDERAL FUNDING
(IN MILLIONS)

	FY 1987 Federal Obligations						
City Size	Discretionary	Formula	Interstate	Stark-Harris	Total	Population	Obligations per Capita
over 1,000,000	$642.4	$1,610.7	$166.0	$200.1	$2,619.2	77.1	$33.97
200,000 to 1,000,000	3.5	364.1	26.2	-0-	393.8	35.5	$11.09
50,000 to 200,000	12.2	173.3	4.9	-0-	190.4	24.2	$ 7.87
below 50,000	1.2	81.4	-0-	-0-	82.6	89.8	$ 0.92
Total	$659.3	$2,229.5	$197.1	$200.1	$3,284.8	226.5	

SENATOR LAUTENBERG: What is the Federal per capita funding of recipient size relative to the amount of funds contributed by these areas through the transit trust fund's penny tax?

ANSWER: Reliable data on gas tax contributions is not available at the urbanized area level. Thus it is not possible to give an accurate answer to this question.

SENATOR LAUTENBERG: Please provide the annual percentage increases for transit wages, GNP and Federal operating assistance since 1980.

ANSWER: Between 1980 and 1985, average total compensation per full time equivalent transit employee increased 35 percent, or 7 percent per year. The GNP Implicit Price Deflator increased 29.7 percent or 6 percent per year. Federal operating assistance used declined 20 percent, or 4 percent per year.

SENATOR LAUTENBERG: For the years 1980 through latest available data, show total transit ridership, passengers per transit employee, vehicle miles per employee, passengers per vehicle, cost per vehicle mile of service, cost per passenger, and cost per passenger mile.

ANSWER: The information requested follows:

	1980	1981	1982	1983	1984	1985
Passengers (bil)	7.82	7.77	7.23	8.30	8.24	8.10
Pass./Employee	47,023	45,201	43,230	43,176	43,064	40,590
Veh. Mi./Empl.	10,512	10,690	10,618	10,678	10,627	10,206
Pass. Per Peak Veh. (thous.)	176.7	168.4	166.7	164.8	165.5	160.5
Cost/Veh. Mile	$3.24	$3.58	$3.88	$4.19	$4.51	$4.66
Cost/Pass.	$0.73	$0.85	$0.95	$1.05	$1.08	$1.17
Cost/Pass Mi.	$0.20	$0.23	$0.25	$0.26	$0.28	$0.30

The source of this information is Section 15 data as analyzed in the most recent Section 310 report. It does not include commuter rail since commuter rail data was not reported prior to 1984.

SENATOR LAUTENBERG: How does UMTA measure transit system productivity?

ANSWER: As described in the Section 310 report, UMTA measures transit performance in terms of efficiency as measured by cost per revenue vehicle hour, service effectiveness as measured by passenger miles per revenue vehicle hour and cost effectiveness in terms of cost per passenger mile. Productivity, which is the amount of input required to produce a certain amount of output, is particularly important when assessing labor utilization. Labor productivity is the amount of service produced (revenue vehicle hours) per unit of labor (full time equivalent employees). Because labor accounts for over 70 percent of transit cost, changes in this measure, together with average total compensation per full time equivalent employee, represent the most important determinants of changes in efficiency.

GREYHOUND EXPERIENCE

SENATOR LAUTENBERG: What is the status of the Greyhound Bus involvement in developing inter-city service for the smaller non-urbanized areas of the country?

ANSWER: Greyhound has been actively pursuing its "Rural Connector" program of linking its inter-city services with services provided by local rural operators such as those supported with Section 18 funds. The concept is for these services to feed the Greyhound service at key rural locations, with arrangements for joint ticketing, minor schedule modifications to better match service timing, and joint marketing, including publication (at Greyhound expense) of the availability of the service in Russell's Guide (the intercity bus industry's national timetable). To date, arrangements have been made for such interconnections at sites in Virginia, North Carolina, Tennessee, Texas, Ohio and Wisconsin. Efforts are now underway at sites in Kentucky, Michigan, Alabama and South Carolina. Greyhound expects to add additional sites throughout the South and Midwest in the next several months.

SENATOR LAUTENBERG: Has UMTA been involved in this project? If so, how?

ANSWER: UMTA has attempted to facilitate Greyhound's efforts in this area. In addition, UMTA has provided a grant to Rural America to assist local rural operators in working with Greyhound.

SENATOR LAUTENBERG: Have Federal funds been used to promote this project? If so, how much and for what purpose(s)?

ANSWER: The grant to Rural America was in the amount of $100,000 and covered the costs of assisting rural operators in working with Greyhound. This involves primarily arranging and covering the costs of regional meetings between Greyhound and interested local rural operators.

SECTION 18 -- LOCAL MATCH

SENATOR LAUTENBERG: In the Department's FY 1986 Appropriations bill, this subcommmittee included language to amend Section 18(e) of the Urban Mass Transportation Act, to encourage the coordination of federal transit resources by allowing State DOT's and local Section 18 recipients to use revenues from "purchase of service" agreements with human service agencies as matching funds for the Section 18 program.

It is my understanding that these Section 18(e) provisions have been implemented by most but not all State departments of transportation. Is that correct?

ANSWER: Subsequent to the passage of the FY 1986 appropriations bill, UMTA issued guidance to its field offices regarding the amendment to Section 18(e) which permits human service contract income to be used as the full local match for Section 18, and instructed them to make sure that State officials within their regions were aware of the new provision. Further, the amendment has been widely publicized in various national and regional forums of State agencies and local transit operators.

It has recently come to our attention, however, that a few States may not be permitting local operators to use such contract income as local match.

SENATOR LAUTENBERG: Can you provide information to the subcommittee regarding which State Section 18 programs currently do not recognize purchase of service agreement funds of any kind as an eligible match for Section 18 assistance?

ANSWER: We are aware of two States, Virginia and Louisiana, which have not permitted purchase of service agreement funds to be used as match, but rather, require such funds to be used to offset operating deficits. We will be working with these States to develop procedures which comply with the amendment.

SENATOR LAUTENBERG: Also, can you identify which States accept revenues from human service agencies for contracted transit services for matching purposes, but

not if those contracts were originally funded with Federal dollars.

ANSWER: We do not routinely ask States for information which would answer this question, since, from a Federal perspective, the original source of contract income is now irrelevant, based on the amendment to Section 18(e). If, however, there appears to be evidence of misunderstanding or misapplication of the Section 18(e) amendment within some States, we will certainly attempt to determine the extent of this and take further measures to clarify the requirements of the amendment.

UMTA's view in administering the program has always been that a State's method of sub-allocating its apportionment among its local recipients is a discretionary action, subject only to statutory and other Federal requirements. Regarding Section 18(e), our interpretation is that a State may not prohibit a local recipient from using income from human service agency contracts as local match. However, a State may elect to regard the degree to which a local recipient utilizes such income as match as a rating factor in its discretionary allocation decisions, as long as this does not prohibit the use of such income entirely.

We are now in the process of revising the Section 18 program guidance and application instructions, UMTA Circular 9040.1A, to clarify these local match requirements and other recent statutory changes.

SENATOR LAUTENBERG: In at least one instance, UMTA's Chief Counsel's Office has ruled that the so-called Leahy Amendment is not binding on States administering the section 18 program. Can you tell me what is the current opinion of the agency with regard to compliance with the provisions of section 18(e)?

ANSWER: It is our opinion that section 18(e) provides that a State may not prohibit a local recipient from using income from human service agency contracts as local match in connection with an UMTA grant. At the same time, however, this would not prevent a State from using the degree of truly local funds used by a recipient as its local match as a rating factor in its discretionary allocation decisions. Thus, while a State cannot prohibit the use of human service agency contract funds as local match, it might in allocating its funds give a higher priority to a recipient that showed a higher level of truly local funding for its local match.

We are now in the process of revising the Section 18 program guidance and application instructions, UMTA Circular 9040.1A, to clarify these local match requirements and other recent statutory changes.

COORDINATING COUNCIL ON TRANSPORTATION

SENATOR LAUTENBERG: In its report accompanying the appropriations bill, this committee directed UMTA to provide administrative staff support for the Interagency Coordinating Council on Transportation. Can you tell us whether or not that directive has been implemented, and

if not, whether UMTA intends to provide staff support to the Coordinating Council?

ANSWER: UMTA is providing staff support both in Headquarters and in the Regions to implement activities initiated by the Coordinating Council. Regional Working Groups have been established in each Region and UMTA staff are working with their DHHS counterparts (and sometimes other Federal agency staff) and State officials to facilitate State level coordination activities. Similarly UMTA Headquarters staff are working with their DHHS counterparts to support Council initiatives.

SENATOR LAUTENBERG: Can you inform the committee about specific progress UMTA and the Department of Health and Human Services are making in identifying issues affecting the coordination of human service and public transportation?

ANSWER: Identification of Federal barriers to coordination of transportation services is a key element of the original agreement between the Departments, and a major task of the Regional Working Groups established by the Coordinating Council. Before the second meeting of the Council in November, 1987, UMTA assembled a "roundtable" of transportation providers to discuss issues related to coordination. The roundtable was also attended by DHHS staff. The providers present spoke candidly about problems related to the programs of both Departments, and provided written documentation of specific barriers. In addition, at its November 1987, meeting the Council heard testimony about barriers to coordination from several individuals and tasked the Regional Working Groups with documenting the barriers encountered in the Regional Initiatives for review by the Council. At its meeting on April 11, 1988, the Council reviewed summaries of the barriers identified by the Regional Working Groups and planned strategies for addressing the barriers. Barriers identification and resolution remains a continuing objective of the Coordinating Council and of the Regional Working Groups.

SENATOR LAUTENBERG: Specifically, what barriers have been identified and what is being done about them?

ANSWER: At its most recent meeting, on April 11, 1988, the Coordinating Council discussed many real and perceived barriers, which were summarized for the Council from the reports submitted by the Regional Working Groups, and other sources. The Council agreed to act quickly to address those barriers which could be resolved by policy clarifications or direct answers by issuing a joint set of "Questions and Answers" on coordination late this spring. The Council also agreed to reconvene in June, 1988, to discuss progress each agency had made on the more difficult issues and to chart further joint actions.

The following list is a summary of the barriers identified by the Regional Working Groups:

Cross Cutting Federal Barriers

1. Lack of mechanisms within UMTA and HHS to get answers to pragmatic questions as they arise

2. **Varying client eligibility requirements**

3. **Lack of standardized accounting and/or reporting procedures at the Federal level**

4. **Lack of funding for start up costs and continued support of coordination**

5. **Insufficient resources to operate existing systems and replace vehicles, and the resultant "dumping" or "shedding" of human service clients to public transportation services not fully funded by HHS**

6. **Lack of policies which encourage coordination at the Federal level**

Barriers Specific to HHS Programs

1. **Burdensome mandatory reporting requirements**

2. **Lack of data to determine the amount of Federal and State human service funds available for transportation services**

3. The need for greater flexibility overall, and specifically in the use of vehicles

4. The need for clear guidelines regarding the use of HHS funds for capital reserve or depreciation accounts

5. The problem of "turn consciousness"

6. Problems related to the inability of services funded under Title III of the Older Americans Act to charge a fare, and to the inadequate allocation of Title III funds for transportation

7. Medicaid/Medicare issues regarding multiple providers and lack of funding for non-emergency transportation of Medicaid and Medicare clients

8. Head Start program issues related to direct Federal/local relationship, and confusion over applicability of school bus standards

Barriers Specific to UMTA Programs

1. Questions about who can hold title to Section 16(b)(2) vehicles

2. UMTA's prohibition on the use of Section 16(b)(2) vehicles for meal delivery, except on an incidental basis

3. Inflexibility to transfer funds among the Section 16(b)(2), Section 18 and Section 9 programs

4. Perception that depreciation accounts to replace equipment are not allowed by UMTA

5. UMTA policy of not allowing trade-ins on old equipment, and requirements to track minor equipment

6. Requirement that section 18 funded systems be open to the general public; defining "general public"

7. Need for cash advances for Section 18

SECTION 16(b)(2) ASSISTANCE TO ELDERLY AND HANDICAPPED

SENATOR LAUTENBERG: Funding for Section 16(b)(2) assistance to the elderly and handicapped has remained relatively constant at roughly 3 percent of the Mass Transit Account in recent years. It has been suggested that in view of the consistently heavy demand for capital assistance to meet the special transit needs of the elderly and disabled, as reported by the American Association of State Highway and Transportation Officials (AASHTO); and the significant growth taking place in our nation's elderly population, a higher funding level is called for. Would you endorse a proposal from the Committee to increase funding for Section 16(b)(2) to such a level?

ANSWER: We believe that the $35 million level requested in our FY 1989 budget proposal is adequate. It should be recognized that the Section 16(b)(2) program no longer represents the only source of funding for services to elderly and handicapped persons. The requirements of our Section 504 regulation have added significantly to the amount of service provided, in this case, by the public operators. In addition, the Department of Health and Human Services (HHS) estimates that its programs provide over $1 billion per year annually for transportation of its programs' clients, many of whom are elderly or handicapped. Our efforts in working with HHS to improve the climate for coordinating all of these resources should help make the funds provided go further, avoiding any need for additional funding in any one program.

QUESTIONS SUBMITTED BY SENATOR HARKIN

LONG RANGE PLANNING

SENATOR HARKIN: I expect that the Urban Mass Transportation Administration (UMTA) is in the process of conducting it's own long-range planning and study exercises in preparation for the recommendations UMTA will make concerning the next Urban Mass Transportation authorization and for the FY 90 budget cycle as well. Please describe your efforts in this regard?

ANSWER: The table, present d below, shows UMTA's long-range planning estimates through FY 1993, two years beyond the end of our current 5-year authorization

period (1991). These long-range planning estimates are predicated on our FY 1989 budget proposal, which would derive funding exclusively from the Mass Transit Account of the Highway Trust Fund. Under our long-range program, UMTA's budget would be deficit neutral in that a trust-funded UMTA program would no longer add to the mounting pressures on the Federal deficit.

No further funding of the Discretionary Grants program would eliminate the funding of many inefficient New Starts projects. Resources from the Mass Transit Account, which previously funded Discretionary Grants, would be distributed by formula to fund the new Formula Transit Grants program. Funding for the Interstate Transfer Grants - Transit would be derived from the Highway Trust Fund, administered by FHWA. As shown in the table, all essential UMTA programs can continue and be fully funded from the trust fund, except for the last few increments of Washington Metro (Stark-Harris) construction funding in the Federal commitment under the 1986 full funding contract.

DEPARTMENT OF TRANSPORTATION
URBAN MASS TRANSPORTATION ADMINISTRATION

UMTA LONGRANGE ESTIMATES
BUDGET AUTHORITY ($000S)

APPROPRIATION/ACCOUNT	(CURRENT YR.) FY 1988 APPROPRIATION	FY 1989 PRESIDENT'S BUDGET (BY)	BY+1 FY 1990	BY+2 FY 1991	BY+3 FY 1992	BY+4 FY 1993
Administrative Expenses (Gen. Rev.)	31,882	0	0	0	0	0
Research, Training & Human Resources (GR)	12,217	0	0	0	0	0
Interstate Transfer Grants - Transit (GR)	123,500	[to FHWA]	[to FHWA]	[to FHWA]	[to FHWA]	[to FHWA]
Washington Metro (Gen. Rev.)	180,500	128,000	42,000	38,000	30,000	30,000
Formula Grants (Gen. Rev.)	1,736,453	0	0	0	0	0
Operating Assistance	[804,692]					
Capital Grants	[862,372]					
Nonurban (Sec. 18)	[64,639]					
RTAP	[4,750]					
Formula Transit Grants (Trust Fund)	0	1,394,000	1,394,000	1,394,000	1,436,000	1,470,000
Administrative Expenses	[0]	[32,500]	[32,000]	[32,300]	[32,300]	[32,500]
Research, Training & Human Resources	[0]	[10,000]	[10,000]	[10,000]	[10,000]	[10,000]
Interstate Transfer Grants - Transit	[0]	[0]	[0]	[0]	[0]	[0]
Formula Transit Grants	[0]	[1,281,500]	[1,282,000]	[1,281,700]	[1,313,700]	[1,347,500]
Planning	[0]	[35,000]	[35,000]	[35,000]	[40,000]	[40,000]
Elderly and Handicapped	[0]	[35,000]	[35,000]	[35,000]	[40,000]	[40,000]
Discretionary Grants (Trust Fund)	1,200,000	0	0	0	0	0
[Obligation Limitation]	[1,130,500]					
Discretionary Capital (Sec. 3)	[980,250]					
Formula Blend (9B)	[65,250]					
Planning (Sec. 8)	[45,000]					
Elderly & Handicapped/Innov. Tech.	[35,000]					
Total	3,284,552	1,522,000	1,436,000	1,432,000	1,466,000	1,500,000
MEMO: General Fund Total	2,084,552	128,000	42,000	38,000	30,000	30,000
Trust Fund Total	1,200,300	1,394,000	1,394,000	1,394,000	1,436,000	1,470,000

SENATOR HARKIN: What specific plans and programs does UMTA have to look at the specialized transportation needs of rural areas?

ANSWER: Administrator DelliBovi has placed a very high priority on the UMTA rural program. Part of this effort includes focusing on rural transportation issues as part of UMTA's overall efforts to assess transit nationally.

UMTA is continuing its effort to inventory rural operators and to develop further information on rural transit performance. In addition, UMTA is involved with the Department of Agriculture in its efforts to assess the impact on rural mobility of the recent changes in the intercity bus industry. UMTA is also participating in the Joint DOT/DHHS Council on Transportation Coordination, which is addressing barriers to coordinating social service transportation with that provided with DOT assistance. Since much of the rural mobility problem involves those with special needs, this effort should go a long way toward addressing rural transportation issues. Finally, UMTA is committed to continued technical assistance to the States and rural transit operators.

SENATOR HARKIN: Will UMTA plans and studies examine such issues as 1) the relationships between public transportation and rural economic development; 2) the problems involved in distinguishing between "public transportation" needs and the "social service transportation" needs and 3) the opportunities or advantages that might accrue from the synergistic combination of "public transportation" and "social service transportation" assets?

ANSWER: Our long range policy planning is accounting for these issues. In terms of relationships between transit and rural development, our data indicate that most transit use in rural areas is for non-work purposes, by those without access to an automobile. Thus, in the rural areas, transit's role is primarily to provide important mobility to the less-well-off, a social role, rather that having an impact on economic development. Any development role which transit might claim in rural areas is hindered by the extremely small share of rural travel, less than one percent, which transit might accommodate. We are fully aware of the relationships, especially in rural areas, between public transportation and special service transportation. For this reason, we have been working with the Department of Health and Human Services (HHS) on improving the climate for coordinating UMTA and HHS supported transportation services. The Joint Council on Coordination, established by Secretary Bowen and former Secretary Dole is tasked with identifying and working to eliminate barriers to such coordination in the rule governing each agencies programs. We strongly believe that improved coordination will ensure that the scarce resources of UMTA and HHS are used most efficiently to provide the maximum service to elderly and handicapped persons and the general public in both rural and urban area.

QUESTIONS SUBMITTED BY SENATOR D'AMATO

CHARTER BUS REGULATIONS

SENATOR D'AMATO: What is the status of the charter bus regulation?

ANSWER: UMTA's new charter service regulation, 49 CFR Part 604, went into effect on May 13, 1987. Under this new rule, UMTA recipients are barred from providing charter service using UMTA-funded equipment or facilities if there is at least one private operator willing and able to provide the charter service that the recipient desires to provide. UMTA believes that its charter regulation has been effective in protecting private operators from unfair competition with UMTA recipients, while ensuring that consumer needs for charter service are met.

Moreover, in response to the Congressional directive in the Conference Report accompanying the fiscal year 1988 Appropriations Act, UMTA has undertaken a rulemaking to consider an amendment to the regulation that would allow nonprofit social service agencies with a need for affordable or handicapped-accessible equipment to seek bids from public transit authorities. UMTA expects the proposed rule to be published shortly.

NEW STARTS

SENATOR D'AMATO: The administration's FY'89 budget would terminate the discretionary transit grant program funded by one penny of federal gas tax, and distribute these funds by formula. Assuming that authorizing legislation is not passed in time to make such a major change, how many potential "New Start" systems are likely to seek Section 3, discretionary capital funds in the future?

ANSWER: We presently are showing 34 projects in our New Start pipeline of which 3 have been fully funded. Any or all of the remaining 31 may request Section 3 funding in the future. The total Federal cost of these projects approaches $10 billion. Based on recent appropriations of about $400 million per year, it would take 25 years to fund all of these projects from the Section 3 program. Also, it should be noted that cost-effectiveness criteria has not yet been developed for most of these projects.

SENATOR D'AMATO: Will you supply the subcommittee with a list of these potential applicants?

ANSWER: The information follows.

URBAN MASS TRANSPORTATION ADMINISTRATION
NEW START PROJECTS
ESTIMATED SECTION 3 FUNDING DEMAND ($ IN MILLIONS)

STAGE		PROJECT	FY 1988 & Prior Year UNOBLIGATED EARMARKS	TOTAL COST (FEDERAL & LOCAL)	TOTAL SEC 3	OTHER FEDERAL	STATE/ LOCAL SHARE	SEC 3 OBS TO DATE 2-29-88	COSTS TO COMPLETE (SEC 3)	COSTS TO COMPLETE MINUS UNOBLIGATED EARMARKS	EST COMPLETION DATE (THIS PHASE)
	1	ATLANTA - PHASE C	$39.53	$699	$163	$21	$515	$72	$92	$52	1990
UNDER	2	HOUSTON-NW		$110	$41	$20	$50	$41	$0	$0	7/88
CONSTRUCTION	3	JACKSONVILLE-ASE(0.7)	$1.80	$32	$17	$7	$8	$17	$0	($2)	11/88
	4	LOS ANGELES - MOS-1	$93.53	$1,250	$604	$90	$556	$511	$93	($0)	1992
	5	SAN DIEGO-EAST		$105	$20	$43	$42	$20	$0	$0	7/89
	6	SANTA CLARA-GUADELUPE		$470	$205	$45	$220	$205	$0	$0	1987-91
	7	SEATTLE-TUNNEL	$67.16	$394	$197	$0	$197	$111	$86	$19	1990
		SUBTOTAL	$202.02	$3,060	$1,248	$226	$1,586	$977	$271	$69	
FINAL	8	HOUSTON-SW		$102	$52	$0	$47	$52	$0	$0	7/90
DESIGN	9	WASHINGTON -LAST 14 MI		$1,800	$1,440	$0	$360	$0	$1,440	$0	1990-1994
		SUBTOTAL	$0.00	$1,902	$1,492	$0	$407	$52	$1,440	$1,440	
	10	ATLANTA-EAST EXT	$105.47	$192	$135	$0	$57	$0	$135	$29	COMPLETE
	11	JACKSONVILLE EXT (1.8)	$3.98	$100	$75	$0	$25	$0	$75	$71	---
PRELIMINARY	12	LOS ANGELES-MOS-2	$46.27	$1,500	$667	$0	$833	$0	$667	$621	9/88
ENGINEERING	13	LOS ANGELES-MOS-3		$1,000	$500	$0	$500	$0	$500	$500	
	14	MIAMI DPM EXTENSIONS	$137.04	$240	$180	$0	$60	$0	$180	$43	COMPLETE
	15	PORTLAND-WESTSIDE		$300	$225	$0	$75	$0	$225	$225	6/89
	16	ST. LOUIS	$89.88	$384	$288	$2	$94	$2	$286	$196	COMPLETE
		SUBTOTAL	$382.63	$3,716	$2,070	$2	$1,644	$2	$2,068	$1,685	

STAGE		PROJECT	FY 1988 & Prior Year UNOBLIGATED EARMARKS	TOTAL COST (FEDERAL & LOCAL)	TOTAL SEC 3	OTHER FEDERAL	STATE/ LOCAL SHARE	SEC 3 OBS TO DATE 2-29-88	COSTS TO COMPLETE (SEC 3)	COSTS TO COMPLETE MINUS UNOBLIGATED EARMARKS	EST COMPLETION DATE (THIS PHASE)
	17	ATLANTA-NORTH EXT.		$350	$263	$0	$88	$0	$263	$263	1989
	18	AUSTIN-NORTH CENTRAL		$140	$70		$70	$0	$70	$70	1989
	19	BOSTON-ORANGE REPL.		$50	$38	$0	$13	$0	$38	$38	12/88
	20	BUFFALO-AMHERST		$400	$300	$0	$100	$0	$300	$300	1991
ALTERNATIVES	21	CLEVELAND-DUAL HUB		$365	$225	$0	$140	$0	$225	$225	1989
ANALYSIS	22	DENVER	$20.58	$200	$70	$64	$66	$0	$70	$49	9/88
	23	HONOLULU		$800	$400	$0	$400	$5	$395	$395	1989
	24	HOUSTON-LOOP		$1,000	$540	$0	$460	$0	$540	$540	12/88
	25	HOUSTON-NORTH BUSWAY	$31.17	$78	$47	$0	$31	$16	$31	$0	5/88
	26	MINNEAPOLIS-SW/UNIVERS		$250	$188	$0	$63	$0	$188	$188	1989
	27	NEW YORK-QUEENS		$250	$125	$0	$125	$0	$125	$125	1989
	28	ORANGE COUNTY, CA		$300	$225	$0	$75	$0	$225	$225	1989
	29	PITTSBURGH-SPINE LINE		$500	$375	$0	$125	$0	$375	$375	1989
	30	SAN JOSE-FREMONT		$1,400	$1,050	$0	$350	$0	$1,050	$1,050	1989
	31	SAN FRANCISCO ANTIOCH		$800	$600	$0	$200	$0	$600	$600	1989
	32	SAN FRANCISCO-COLMA		$101	$50	$0	$51	$0	$50	$50	6/88
	33	SALT LAKE CITY (I-15)	$3.58	$200	$100	$0	$100	$0	$100	$96	9/88
		SUBTOTAL	$55.33	$7,184	$4,665	$64	$2,455	$21	$4,644	$4,590	
		26 CITIES IN SYSTEM PLANNING		$18,416	$13,812	$0	$4,604	$0	$13,812	$13,812	
		TOTAL	$639.98	$34,278	$23,286	$292	$10,697	$1,051	$22,234	$7,784	

a LAST 14 MILES BEYOND STARK HARRIS AUTHORIZATION (MILES 89 TO 103).

WASHINGTON METRO -- POTENTIAL RAIL MODERNIZATION APPLICANT?

SENATOR D'AMATO: When the Washington Metro system exhausts its special funding under the Stark-Harris authorization, it is likely to seek funding under the section 3 (discretionary) rail modernization program. When does UMTA think this might occur? Are there sufficient funds to include Washington Metro in this program? Is the section 3 program an appropriate place for Washington Metro?

ANSWER: There are two aspects to this set of questions. First, should WMATA be considered eligible to utilize Section 3 rail modernization funds? And second, should Section 3 be used for completing construction of the Washington Metrorail system?

With respect to the first, in testimony by its General Manager, WMATA has contended it should be granted a share of the Section 3 rail modernization funds, not to continue construction of the system but to refurbish the currently operating system. UMTA has repeatedly rejected this contention, not just with respect to WMATA but to all new systems and extensions which have been built with Federal funds. The purpose of the Section 3 rail modernization activity is to refurbish and modernize a small group of old systems built largely with local funds and which have a huge backlog of repairs. This objective will not be realized if the universe of participants is permitted to expand. The 1987 Rail Modernization Study, requested by this committee, concluded that approximately $18 billion (in 1983 dollars) would be required to bring those systems to a condition whereby nominal or infrequent minor repairs would be sufficient to keep them in good working order. Just to approximate this objective in a constrained budgetary environment requires both careful selection of projects and restraint in the number of participants. Furthermore, new systems as WMATA, Atlanta's MARTA and Miami have been participating in the rail tier of the section 9 program since the outset of that program, and without a waiting period. This was a conscious policy decision, to help prevent new systems from falling into disrepair. That tier is one-third of the 88.43 percent of the Section 9 apportionment to urbanized areas over 200,000 population, and is only available to areas with fixed guideway systems. This amounts to $301 million in capital funds in Fiscal Year 1988.

With respect to Section 3 funds being used to complete the construction of Washington Metrorail after Stark-Harris authorization is exhausted, this is a plausible alternative to extending the Stark-Harris authorization. However, our understanding is that WMATA intends to seek a discrete authorization for continued funding of its construction program. The General Manager of WMATA has so testified before the Appropriations Subcommittees for the past two years.

DRUG TESTING

SENATOR D'AMATO: Does UMTA have authority to require grantees to implement testing programs for transit employees?

ANSWER: Section 22 authorizes the Secretary (and UMTA, by delegation) to investigate conditions in any facility, equipment or manner of operation that we believe creates a serious hazard of death or injury. We are authorized to withhold Federal funding until the hazard has been corrected.

To date we have viewed this provision essentially as relating to specific situations among our grantees, although arguably it could form the basis for a rule requiring our grantees to establish anti-drug programs.

However, we believe there is ample authority elsewhere in the UMT Act to support such a rule. Under Section 3, for example, the Secretary has authority to set the terms and conditions in connection with grants funded under that discretionary program. Under both Sections 3 and 9 a grantee must have the legal, technical and financial capacity to carry out a project, and we presume this involves the delivery of safe transportation. In thus assuring ourselves that a grantee meets these requirements, we think UMTA has the authority to require grantees to implement drug testing programs.

SENATOR D'AMATO: Please describe what initiatives UMTA has made in the area of keeping the transit workplace free of illegal drug use.

ANSWER: To date UMTA has limited its actions to providing safety training and technical assistance to the industry.

In addition UMTA's Office of Safety is working closely with organizations such as the American Public Transit Association (APTA) and the American Bus Association (ABA) in order to provide the training and technical assistance necessary for the industry to protect the public safety.

In cooperation with APTA, UMTA participated in the development of National symposia which addressed the issue of drug and alcohol use in public transportation. The symposia, "From Here to There...Safe and Sober," were held in July 1985 and August 1986, and a third conference is scheduled for July. The key products of the symposia are manuals on drug and alcohol abuse in transit.

Office staff is also working with the Transportation Research Board (TRB) to enhance the visibility of safety issues in TRB's various committees and activities.

An UMTA funded $70,000 contract beginning with the 1989 Annual Meeting that produced a review of substance and alcohol programs funded by the Department of Transportation has recently been completed.

As a result of a grant in the amount of $79,000 awarded to Lincoln University a final report will soon be available that documents measures currently used by 10 transit agencies to assist employees who abuse drugs and alcohol.

A $53,000 contract under the auspices of the National Rural Transportation Assistance Program (RTAP) produced a manager's handbook entitled "Substance Abuse Awareness in Rural Transit". This handbook is designed for use as a self-study program, or as an instructor-led or group study approach.

BUFFALO COLD SPRING BUS GARAGE

SENATOR D'AMATO: Has UMTA been working with the NFTA to assist them in securing these funds?

ANSWER: UMTA's Area Office has been working with NFTA on this project and expects to receive a grant application in time to be considered for discretionary funding in FY 1988.

SECTION 9: FORMULA FUNDS

SENATOR D'AMATO: How much UMTA Section 9 Capital money is unobligated at this time?

ANSWER: As of February 29, 1988, there are $1,201.7 million of unobligated Section 9 Capital funds.

SENATOR D'AMATO: Please provide the subcommittee with a list, by year and by grantee, of the amounts that have not been obligated and expended?

ANSWER: The computer listing of the information requested has been provided separately to Senator D'Amato.

SENATOR D'AMATO: If possible, supply the reasons why these funds are unobligated?

ANSWER: The statutory life of the Section 9 formula apportionment is 4 years (year of apportionment plus 3 years). An examination against the specific FY 1984 Section 9 apportionment indicates that almost all areas fully obligated their specific year apportionment within the 4-year period. At the end of the first year 78% had been obligated, at the end of the second year 91% had been obligated, at the end of the third year 97% had been obligated, and at the end of the fourth year 99.9% had been obligated.

A number of transit properties do not obligate funds the first year of availability in order to build up enough funds to implement a large project requiring 2 or 3 years' worth of apportionments. Another reason why funds remain unobligated is that some projects require time to receive necessary local agreements and commitments and are sometimes delayed. Sometimes properties are apportioned excess funds, but a decision to transfer these funds are not made until subsequent years.

SENATOR D'AMATO: Are there any patterns occurring as far as the ability and willingness of grantees to obligate these funds?

ANSWER: Because of contracting Section 9 program levels and rising costs, transit authorities have been using the available funds faster. The unobligated balances have been reduced from $930.7 million at the end of FY 1986 to $791.5 million at the end of FY 1987.

BROOKS-MURKOWSKI PROHIBITION RE: FOREIGN CONTRACTORS ON AMERICAN PUBLIC WORKS PROJECTS

SENATOR D'AMATO: Questions have arisen regarding whether transit rolling stock is included under this amendment to the CR which prohibits foreign contractors from participating in U.S. public works construction projects if their governments have excluded U.S. companies from bidding on projects. Can you explain how this provision will be applied to transit projects? What is the status of UMTA policy on this issue?

ANSWER: Section 109 of the Fiscal Year 1988 Continuing Resolution (Brooks-Murkowski amendment) prohibits the use of federal funds for the procurement of services and products used for public buildings and public works projects from Japanese construction contractors and suppliers. The Department of Transportation is preparing regulations to implement this Congressional mandate.

It would be premature to comment on the scope of the proposed regulation. I would note, however, that the Conference Report excludes from coverage by the prohibition certain products which do not become part of a delivered structure, product or project.

SECTION THREE (GAS TAX) DISCRETIONARY PROGRAM -- APPROPRIATE CRITERIA FOR GRANTS

SENATOR D'AMATO: I know that you support the Administration's request to end the section 3 discretionary program and to distribute the funds by formula. However, assuming that Congress does not enact the legislation necessary to do this, what do you think is a prudent way for UMTA to administer the section 3 program.

ANSWER: If the section 3 discretionary program is maintained in its current form, UMTA would continue to administer the program so as to assure the discretionary funding went to those projects that would do the most to achieve the goals of the national transit program. The Surface Transportation and Uniform Relocation Assistance Act of 1987 makes some changes in the section 3 program that will enable UMTA to better achieve those goals. In particular, the law mandates that new start projects be cost-effective and have an acceptable level of local financial commitment. This provision gives UMTA new authority to assure that the new start funds are used effectively. The rail modernization portion of the section 3 program will continue to be administered as it has been. This is required by the legislation. UMTA's efforts to encourage agencies to use the rail modernization funds more effectively are beginning to pay off. Some agencies are making real progress towards modernizing their systems. The bus portion of the section 3 program will also be administered much as it has been in the recent past. UMTA expects to make grants which encourage more effective use of facilities and provide better service to users.

WILLIAMSBURG BRIDGE

SENATOR D'AMATO: What is UMTA's role in assuring New York City transit riders that any resumption of transit service over the Williamsburg bridge will be safe?

ANSWER: UMTA is working closely with local officials and the New York State Public Transit Safety Board to develop a preferred course of action for the restoration of the bridge and its reopening to all forms of traffic.

Contracting for expert structural safety inspectors and bridge design engineers are eligible costs under UMTA's formula and capital assistance programs as are the costs of repairs to the transit related portions of the bridge.

Responsibility and authority for declaring the bridge safe and reopening it to transit service lies with State and local officials.

SENATOR D'AMATO: Once the ongoing bridge inspection studies are completed, would UMTA be able to assist the MTA in any required bridge repairs needed for transit service to continue?

ANSWER: UMTA would be able to assist the MTA with eligible transit related repairs.

SENATOR D'AMATO: Did the MTA submit contingency plans to UMTA regarding transporting transit riders without the use of the Williamsburg Bridge? If so, when were the plans submitted?

ANSWER: The MTA did not officially submit a contingency plan.

MANHATTAN BRIDGE

SENATOR D'AMATO: If transit service was disrupted over the Manhattan Bridge in addition to the Williamsburg Bridge, what contingency plans has the MTA submitted to UMTA?

ANSWER: The MTA has not submitted a contingency plan.

WESTWAY TRADE-IN --- INTERSTATE TRANSFER GRANTS FOR TRANSIT PROJECTS

SENATOR D'AMATO: a 17% (- $123.5 million) overall cut in transit and highway trade-in funds are requested in the Administration's Budget. For FY 1988, New York City received $9 million in discretionary transit trade-in funds, and no discretionary highway trade-in funds. The Administration proposes a total pot of only $600 million in trade-in funds. How would this impact the Westway trade-in -- how much time would it add to the process of recouping the value of the trade-in?

ANSWER: The Administration's proposed FY 1989 funding level of $740 million for both transit and highway projects would extend the completion date of funding for the program from 1993 to 1994. New York City, like all other areas, would receive all of its funding by 1994.

3(a)(1)(C) TECHNOLOGY UTILIZATION PROJECT

SENATOR D'AMATO: On February 19, 1987, after three years of review within UMTA, your predecessor, Ralph L. Stanley, selected a $403,000 train-to-wayside identification/automatic routing system for funding under the 3(a)(1)(C) technology introduction program. This equipment was to be supplied to the Baltimore MTA by the GEneral Railway Signal Company of Rochester, New York. However, I understand that, more than a year later, the grant has yet to be awarded. Why the delay? When will this grant be awarded?

ANSWER: The grant application is expected to be approved in early May 1988.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

STATEMENT OF CARMEN E. TURNER, GENERAL MANAGER

ACCOMPANIED BY:

WILLIAM A. BOLEYN, ASSISTANT GENERAL MANAGER FOR FINANCE AND COMPTROLLER

JOHN McELHENNY, ASSISTANT GENERAL MANAGER FOR DESIGN, CONSTRUCTION, AND FACILITIES MAINTENANCE

INTRODUCTION OF WITNESS

Senator LAUTENBERG. We will continue with this hearing. We welcome Ms. Turner, the General Manager of the popularly known WMATA, Washington Metropolitan Area Transit Authority, who has roots in the community in New Jersey that I also share. I am glad to see you.

Ms. TURNER. Thank you.

Senator LAUTENBERG. Both us are now hard at work in Washington, DC, trying to do good things for the country and for the community.

Ms. Turner, we invite your testimony. We ask if you would introduce your colleagues at the table. We would also ask that you try to keep your testimony in summary form; but we want to hear what you have to say. Welcome.

STATEMENT OF CARMEN TURNER

Ms. TURNER. Thank you very much, Mr. Chairman. Before introducing the people with me at the table, the Metro staff, I am very pleased to introduce the chairman of the Metro Board of Directors, Mrs. Hilda Mason. Mrs. Mason serves on the D.C. City Council. She is the chairman and she is here with me today. I will just ask her to stand for a minute.

Senator LAUTENBERG. We welcome you, Ms. Mason, and nothing that we say here reflects the fact that you had to trot out all the big brass and all that. We are going to try to be as fair and as helpful as possible. We do welcome you here.

Ms. TURNER. At the table with me this afternoon, Mr. Chairman, is Mr. William Boleyn, who is the Assistant General Manager for Finance. I also have with me Mr. John McElhenny. He is the Assistant General Manager for Design, Construction and Facilities Maintenance.

I would certainly like to take this opportunity to express my appreciation for the opportunity to testify before you this afternoon. I want to also indicate that we appreciate your continuing support for mass transit in general, and certainly the support you have shown for Washington Metro. As you know, sir, our fiscal year 1989 appropriation request is for $221.7 million.

I might point out that the Transit Authority has two missions: One is to build the regional rail system; the other is to operate an integrated bus and rail system. We are very pleased to tell you that ridership has grown beyond our expectations. We are now carrying one-half million people per day on Metrorail, and a little less than that on Metrobus.

METRORAIL CONSTRUCTION

Before I talk about the fiscal year 1989 program, I would like to take a moment to give you an update on the Metrorail construction program. Currently, we have under construction some 19 miles which will bring the system to 89.5 miles. These 19 miles are covered in the Full Funding Agreement that we negotiated with UMTA. The Full Funding Agreement requires that we build the system in operable segments and that we assure that funds are available to bring each segment into full revenue service in accordance with current WMATA operating standards before construction can begin on any segment. This means that we must provide both the bricks and mortar to build the system, as well as the cars to carry its passengers.

Of the 19.5 miles of construction, 3.2 miles are underway on the Red Line from Silver Spring to Wheaton. Mr. McElhenny will point that out. This segment is scheduled for operation in September 1990.

Another 3.7 miles are under construction on the Yellow Line, from King Street to Van Dorn, and that is scheduled for operation in early 1991. In addition, construction is underway on 12.6 miles of the Green Line from U Street to Anacostia and from Fort Totten to Greenbelt. The tunnels under the Anacostia River are almost complete. Work is underway on the Anacostia Navy Yards. We have construction at West Hyattsville and we have had a ground breaking for the Prince George's Plaza Station. We expect to advertise the bids for College Park in May.

These sections of the Green Line will open in three stages: Gallery Place to U Street will open in late 1990; L'Enfant Plaza to Anacostia in 1991; and Fort Totten to Greenbelt in 1993.

FISCAL YEAR 1989 REQUEST

Last year we requested $250 million in federal funds to finance the construction of all these projects. In accordance with the Full Funding Agreement, we were required to assure the availability of the difference between the appropriated federal funds and the cost of construction and the purchase of rolling stock. We had to do that by pledging our section 9 money and other money to close the gap between the federal appropriation and the cost of that particular operating segment.

In fiscal year 1988, the federal appropriation of $180.5 million included in the continuing resolution will allow us to initiate construction of the Greenbelt section and to maintain the momentum of the construction program, including some acquisition of real estate, design, construction and finish and stage work for the Greenbelt station and line, the service inspection yard, and purchase of 18 cars. The purchase of 18 cars will bring the total fleet to 682 cars.

In our fiscal year 1989 requirement of $221.7 million, which is needed again to fulfill our obligation under the Full Funding Agreement, there are several significant components of the construction program that are included. There is the continuing support for the construction of the Green Line. That includes the automatic train control, the substation equipment and installation, electric power service connections, escalators, communication and parking, the purchase of an additional 80 railcars necessary to meet the growing ridership demand, project management, construction claims reserve, and design work for the segments beyond 89.5 miles, consistent with our Full Funding Agreement. These funds are completely covered by the Stark-Harris authorization.

Our fiscal year 1989 appropriation will enable our temporarily escrowed section 9 funds to become available for critical projects such as delayed bus purchases. It is imperative that these reserve funds be returned to their original use to ensure progress on our rail reliability and bus capital projects, which are so fundamental to our operation.

RAILCAR PURCHASE

We have experienced a dramatic increase in ridership, as I indicated. In order to maintain the quality and the level of existing service, our request proposes to use fiscal year 1989 funds to purchase 80 railcars needed to accommodate the currently projected ridership stemming from the completion of the 89.5-mile system. Purchase of these new railcars to meet the demand will bring the total fleet to 762 cars.

This railcar requirement is based on a projected annual ridership growth of some 3.8 percent. For the past 2 years, our ridership growth has averaged between 7 and 10 percent. We believe that 3.8 percent may be relatively conservative; but it is important for us to procure the cars to assure that we not only build the system, but that we are also able to operate it.

In addition to that, as part of the Full Funding Agreement, we pledged some of the design money that was originally planned for the middle E and the outer F route. We now need that money so that we can begin to do some of the preliminary design work to maintain the momentum of the construction program.

The administration's request of $128 million in fiscal year 1989 for Metrorail construction simply is insufficient to meet the requirements that I have just identified.

CAPITAL AND OPERATING BUDGET

I would just like to take one moment to turn to the Capital Program and to point out to you that we do operate an integrated bus rail system. There are key requirements in that program that need to be met. When we pledge our section 9 money in order to support the construction program, we have to delay those procurements. We are now operating with a fairly old bus fleet and we must move with bus procurements to upgrade our fleet.

Turning to the operating side of the budget, we are today serving the entire Washington region with the third largest heavy rail system in the United States. Our bus system is the fifth largest in the country, with some 1,600 buses serving 400 routes, and 450,000 riders daily.

We have proposed to the local jurisdictions an operating budget that is slightly less than $500 million for fiscal year 1989 with a cost recovery of about 75 percent on rail and 34 percent on bus, which represents an overall cost recovery for the total system of some 53 percent.

WINTERIZATION

Last year when I testified, there was much concern about winterization and our ability to operate in snow. We have moved aggressively in this area. We have now completed about 90 percent of the third rail heaters. We have purchased additional snow removal equipment, we have installed higher wattage switchpoint and ballast heaters, and we have made some modifications on the cars. We had a much better winter this year than we had 2 years ago when we had back-to-back snowstorms.

COMMON CORRIDOR OPERATIONS

We have also worked with CSX with respect to resolving problems in the common corridor where CSX has had, as you will recall, two derailments. We are working with UMTA to find ways in which to enhance a segment of the Red Line to improve the safety in that corridor. The corridor is safe now, but there is always an opportunity to enhance that.

COMPLETION OF THE 103-MILE SYSTEM

As I reported to you last year, we intend to seek a reauthorization of our Stark-Harris legislation to complete the full 103-mile system. The 13 miles of the 103-mile system that are not covered by the Stark-Harris authorization to date are—and I would like to point those out because they are critical to our system—the Green Line north of U Street to Columbia Heights, connecting to the outer Green and Red Lines at Fort Totten; the Green Line from Anacostia to the Branch Avenue terminus in Prince George's County; the Red Line from Wheaton to Glenmont; and the Yellow Line from Van Dorn to Springfield/Franconia.

We will continue to work closely with the Congress, the administration, and state and local officials throughout the region as we seek to maintain the federal/local partnership that has endured throughout the construction of this very important Metrorail system.

CONCLUSION

In conclusion, our fiscal year 1989 request is $221.7 million. We believe this is consistent with the Full Funding Agreement to complete 89.5 miles of the system and to bring those lines into revenue service. We believe it is essential if we are to maintain the momentum of the construction program, to purchase additional cars to meet increasing ridership demands, cover the cost of construction claims, proceed with

critical bus and rail reliability projects, and initiate future design work in order to complete this system in the most cost effective manner.

Our fiscal year 1989 request is fully covered in the current Stark-Harris authorization and is designed to use funds in the most cost efficient manner.

PREPARED STATEMENT

I appreciate the opportunity to testify before you this afternoon, Mr. Chairman. I am prepared to answer questions.

[The statement follows:]

STATEMENT OF CARMEN E. TURNER

Good morning, Mr. Chairman and Committee Members. I appreciate the opportunity to testify on our program for Fiscal Year 1989. We owe you, Mr. Chairman, and the Members of this Committee, a debt of thanks for consistently supporting funding for Metro, and transit in general, while faced with limited resources and many competing demands. WMATA's appropriation request to the Congress for FY1989 is $221.7 million. Many events have taken place since I testified before you last year and I would like to take this opportunity to bring you up to date on our activities.

The Authority has a dual mission -- to construct the 103 mile rail system, and to operate and maintain an integrated bus and rail system. As you are aware, we operate 70 miles of the rail system and 64 stations. Our buses provide almost 130,000 miles of revenue service each weekday.

Ridership on the system has grown well beyond our expectations. Each weekday we carry almost half a million passengers on Metrorail, and almost the same number on Metrobus. On the day of the Redskins celebration in Washington, we carried a record 565,000 persons on Metrorail.

THE METRORAIL CONSTRUCTION PROGRAM

Before I discuss our FY1989 program, I want to provide you with an update on our Metrorail construction program. Currently under construction are 19.5 miles to complete 89.5 miles of the system, which are covered under our Full Funding Agreement with the Urban Mass Transportation Administration (UMTA). The Full Funding Agreement requires us to build the system in operable segments and to assure that funds are available to bring each segment into full revenue service in accordance with current WMATA operating standards before construction begins on that segment. This means that we must provide for both the bricks and mortar to build the system, as well as the cars to carry its passengers.

Of the 19.5 miles of construction, 3.2 miles are underway on the Red Line from Silver Spring to Wheaton. At this point, the tunnels are complete from Silver Spring to Wheaton, and the tail track, the temporary storage and turn back area beyond Wheaton, is about half completed. We plan to begin construction of the Wheaton Plaza parking facility in May and the Amherst garage by the fall. This segment is scheduled for operation in mid-1990.

Another 3.7 miles are under construction on the Yellow Line from King Street to Van Dorn, scheduled to open in early 1991. Construction on bridges over Cameron Run, Eisenhower Avenue and Van Dorn Street is more than two-thirds complete. Construction to the Van Dorn Street Station is underway and work on automatic train control, communications, elevators and escalators will begin later this year.

Finally, construction is underway on 12.6 miles of the Green Line from "U" Street to Anacostia and from Fort Totten to Greenbelt. The tunnels under the Anacostia River are almost complete, work is underway on the Anacostia and Navy Yard stations, and trackwork installation will begin this summer. Construction is also underway on the Green Line at West Hyattsville, where the station construction is nearing the half-way point. Ground was broken for Prince George's Plaza Station, and we expect to advertise bids for the College Park Station in May. These sections of the Green Line will open in three sequences:

- o Gallery Place to "U" Street, opening in late 1990;
- o L'Enfant Plaza to Anacostia, opening in late 1991; and
- o Fort Totten to Greenbelt, opening in late 1993.

FY 1988 FEDERAL CONSTRUCTION APPROPRIATION

Last year, we requested $250 million in Federal funds to finance construction on all of these projects, and to allow us to proceed with the

last section of the Green Line covered by the Full Funding Agreement, from College Park to its terminus at Greenbelt. In accordance with our Full Funding Agreement with UMTA, in order to proceed with the segment from College Park to Greenbelt, we were required to assure the availability of the difference between appropriated Federal funds and the cost of construction and purchase of rolling stock by temporarily pledging Section 9 and other funds. This means that we had to temporarily pledge funds which would normally be used for rehabilitation and replacement projects on the existing bus and rail systems.

The FY 1988 Federal appropriation of $180.5 million included in the Continuing Resolution will allow us to initiate construction of the Greenbelt segment and to maintain the momentum of the construction program, including real estate acquisition, design, construction and finish and stage work for the Greenbelt Station and line and the service and inspection yard. In addition, the FY 1988 appropriation will enable us to purchase 18 rail cars, as recently approved by UMTA and a part of the total we will need to make the new construction operational, as well as covering our project management costs. The purchase of the 18 cars will bring the total rail fleet to 682 cars. Since we did not receive the entire amount sought for FY 1988, it was necessary to supplement our appropriation with Section 9 and other funds in order to meet the assured funding requirement of the Full Funding Agreement.

FY 1989 FEDERAL CONSTRUCTION APPROPRIATION

Our FY 1989 requirement of $221.7 million is needed to fulfill our obligations under the Full Funding Agreement. It will be used for:

- Construction on the Green Line from Fort Totten to Greenbelt, including automatic train control, substation equipment and installation, electric power service connections, escalators, communications, and parking;
- Purchase of 80 rail cars necessary to meet growing ridership demands;
- Project management;
- Construction claim reserve;

o Design work for segments beyond 89.5 miles.

Our request is consistent with our Full Funding Agreement and is completely covered by currently authorized funds contained in the Stark-Harris legislation.

Our FY 1989 appropriation will enable our temporarily escrowed Section 9 funds to become available for critical projects, such as delayed bus purchases. I can assure you that, to date, our quality service and maintenance have been sustained. However, it is imperative that these temporarily reserved funds be returned to their original use, to ensure that our rail reliability and bus capital projects, which are so fundamental to our operations, are not impaired.

As we have opened new segments of the rail system, we have experienced a dramatic increase in ridership. In order to maintain the quality and level of existing service, our request proposes to use FY 1989 funds to purchase 80 rail cars needed to accommodate the current and projected ridership stemming from completion of 89.5 miles of the system. The purchase of these new rail cars to meet demand will bring the total rail fleet to 762 cars.

Our forecasts for rail car need are based on projected average annual ridership growth of 3.8 percent. Ridership growth over the past two years, when not enhanced by new rail segment openings, has averaged between 7 and 10 percent per year. While we do not expect to maintain this extraordinary high ridership growth rate for the next five years, the 3.8 percent may well be on the conservative side, especially if we are able to provide additional parking which is needed throughout the system.

Given the long lead time, 3-5 years, to procure new rail cars, we believe that we must begin now in order to have enough cars to meet the expanding ridership demand resulting from our current operating system and planned line openings. There are 5 line openings scheduled between now and 1993 on segments within 89.5 miles of the system. We project that, at a minimum, the

80 rail cars we are requesting are necessary to meet the increases in ridership we expect as these lines open.

Before we negotiated the Full Funding Agreement, the program funded under Stark-Harris included initiating design of segments beyond the 89.5 miles covered by the agreement. This design money was included because of the lead time required to begin work on new segments and our concern that any hiatus in funding would prevent us from keeping together our experienced professional design and construction team. The design process, including the environmental impact statement, the preparation of general plans, the public hearing process, and the final design stages take a total of 4-5 years before construction can begin. In order to meet the operable segment funding requirements, we had to temporarily pledge these funds. We now have reached the point at which we need to release the funds and begin design work on the remainder of the system. With these funds in hand, we will be able to maintain our team and the momentum of the program, taking advantage of the currently favorable bidding climate.

I would like to take this opportunity to comment that over the past year we have been working closely with UMTA and the Project Management Oversight Consultant (PMOC). We have been meeting on a quarterly basis and are in substantial agreement on most matters.

ADMINISTRATION'S REQUEST

The Administration has requested $128 million in FY 1989 for Metrorail construction. As I stated earlier, our FY 1989 appropriation request for $221.7 million is essential to cover the costs of completing construction on 89.5 miles of the system, purchasing critically needed rail cars to accommodate ridership growth associated with 89.5 miles of the system, and to initiate important design work on segments beyond 89.5 miles. The $128 million is not sufficient to cover construction related expenses, the purchase of much needed additional rail cars, and design work on segments beyond 89.5

miles of the system. We must proceed with all of these activities in order to maintain continuity and momentum in our construction program as we work towards system completion.

INTEREST PAYMENTS

We are pleased that the President's FY 1989 budget request includes the entire amount necessary to pay interest on the federally guaranteed WMATA bonds that will be due in FY 1989. The National Capital Transportation Act of 1969, as amended, establishes a Federal obligation to fund interest payments on bonds sold to cover the early costs of Metrorail construction. The Initial Bond Repayment Agreement further specifies the requirements placed upon both the Federal government and the local participants. The local governments in this area have faithfully made all payments as required, and have contributed to a sinking fund to assure the availability of their share of the principal repayment, when it becomes due. As part of the across-the-board reductions for FY 1988, the amount appropriated for interest payments on WMATA bonds that are due during the current year was reduced to a level below that required to meet the Federal obligation. The Conference Report accompanying the Continuing Resolution states that "the Conferees expect WMATA to finance any shortfall from Section 9 formula grant or other available funds."

We believe that pre-existing law supercedes this report language. Further, in the recent revisions to the Gramm-Rudman law, Congress included interest payments on WMATA bonds in the list of programs exempted from across-the-board reductions, in recognition of the federal obligation to fund these payments.

I recently wrote to Administrator DelliBovi suggesting that our respective staffs meet as soon as possible to discuss this issue. I want to take this opportunity to express my concern about the potential effect of this provision on our FY 1988 program and to urge this Subcommittee to appropriate the entire amount due for our interest payments in FY 1989.

CAPITAL PROGRAM

Turning to our bus and rail reliability capital program, a modern bus fleet, a reliable rail system, and efficient facilities to maintain that fleet are essential to ensure quality service, safety, and a cost-effective operation. As I mentioned earlier, we are depending on our Section 9 funds being fully available for the purposes that they were originally intended, rather than being diverted for construction related expenses. Our Section 9 funds are critical to our capital program which finances our bus and rail reliability activities.

New bus procurements and upgrades to the existing fleet are a high priority in our FY 1989 program. Our objective is to achieve a seven year average age for the bus fleet by replacing 107 buses or one-fifteenth of the fleet each year. As of September 1987, the combined average age of buses is 9 years.

FY 1989 OPERATING BUDGET

Turning to the operating side of the budget, we are, today serving the entire Washington region with the third largest heavy rail system in the United States. Our bus system is the fifth largest in the country, with 1,600 buses serving 400 routes and 450,000 daily riders.

To continue to support these operations, I have proposed to the WMATA Board an operating budget which totals slightly less than $500 million, excluding capitalized costs. The budget projects that we will achieve an overall cost recovery ratio, revenues as a percent of operating cost, of 53 percent. Federal Section 9 operating funds will cover 3 percent of the costs and the local jurisdictions and states will contribute 44 percent of the operating budget. These local governmental entities have always met their obligations for both operating and capital contributions to the system, a

reflection of the strong support accorded to Metro by the people of this region.

This budget has been reviewed by the WMATA Board and sent to the local jurisdictions and the states for comment. It continues our emphasis on cost containment. I believe that it is a responsible budget which will continue to provide the quality of service, reliability, and, of course, safety which we have all come to expect of our system.

WINTERIZATION

I would like to take this opportunity to report to you on the status of our winterization program. As the result of back to back snowstorms last winter, we developed a comprehensive winterization program which includes the installation of third rail heaters and new coverboards, the purchase of new snow removal equipment, rail car improvements and revised snow emergency procedures. The winterization program is essential to ensuring that we can provide service when our riders most need it. Thus, in order to finance the first year program cost of $13.0 million, we reprogrammed capital funds intended for other critical projects, supplemented by $5.0 million in discretionary funds provided by UMTA.

On the rail system, we have completed the installation of the third rail heaters and new coverboards at five storage and inspection yards: Shady Grove, Brentwood, Alexandria, New Carrollton, and West Falls Church. We have also completed the installation of third rail heaters at Silver Spring and Shady Grove. In addition, we are installing third rail heaters and new coverboards in critical areas of the Orange Line near Cheverly and New Carrollton in Maryland and Vienna in Virginia. Finally, we are also working on the Yellow Line in the vicinity of Huntington, Virginia.

The third rail heater and coverboard project will be complete this spring. Progress on this contract did not proceed as expeditiously as we would have liked. We found that it is extremely difficult to have work of

this sort performed on an operating railroad. This was the first time that we have attempted to work on a line that is in revenue service. We have provided windows of time for this work when we could shut down the line, or at least one track, so the work could be performed safely. Unfortunately this approach has stretched out the length of the installation process.

In addition to the third rail heater project, we have installed higher wattage switch points and ballast heaters, as well as winterizing our rail cars to prevent the passage of snow onto sensitive electrical components. We have also bought additional prime movers with deicing equipment and plows for the operating railroad, tractors with snow plows for clearing of station sidewalks and platform areas, as well as snow plow blades and sand/salt spreaders.

The first test of our comprehensive Snow Emergency Plan occurred with the record breaking snow of November 11, 1987. I am pleased that we were able to sustain Metrorail service throughout the storm. One of the factors contributing to our efforts was the plan developed by the regional snow emergency task force. The Metrobus portion of the plan was fully coordinated with all of the local jurisdictions through the regional process managed by the Council of Governments. Over the past several storms, the coordination between Metro, Federal and local agencies has continued to improve.

COMMON CORRIDORS

I would also like to give you a status report about operations where Metro operates in corridors in which there are adjacent freight and passenger railroad operations. On some sections of the current Metrorail system, we operate alongside freight operations. On the Red Line between Brookland and Silver Spring, and on the Orange Line between Minnesota Avenue and Cheverly, we operate in between two freight tracks.

The decision to construct the Metrorail system along common corridors dates back to the National Capital Transportation Act of 1960 in which the

Congress established the policy that the system should be planned using existing rights-of-way and other major transportation facilities where possible. The plan for the system was developed with the objective of maximizing service while minimizing disruption to the community. The decision was to build in common corridors, rather than either not building some portions of the system, incurring very high costs of tunneling, or destroying large numbers of homes and businesses.

On June 19 and September 5 of last year CSX freight trains derailed in the common corridor right-of-way onto WMATA's Red Line. Although we have operated in common corridors for over 11 years without a derailment, these incidents brought to our attention the need to consider possible safety enhancements utilizing technological changes which have occurred since the lines were built. Therefore, CSX Transportation and WMATA established a joint operating and safety committee, composed of senior executives from each organization, assisted by an independent safety consultant. The committee presented its recommendations to the WMATA Board earlier this month.

I want to take this opportunity to comment on the excellent working relationship we have had with CSX on this project. We are currently in the process of developing a new agreement with the CSX in which they will finance those portions of the track enhancement program that are on their track and we will fund those improvements made on our track.

To supplement the committee's review, the Authority has contracted with Booz, Allen, Hamilton and Company to study the subject of common corridors on the currently operating Metro system and on the planned segments yet to be built. The consultant will make recommendations on future actions which may further enhance the safety of Metro patrons as well as that of the adjoining operating railroads. In addition to WMATA's efforts, other agencies have been active in studying the common corridor issue. The National Transportation Safety Board is completing its study of the incidents.

I want to assure you that extensive safety inspections are regularly performed by the WMATA Department of Rail Service and our Office of Safety and Fire Protection. These inspections include:

- A complete physical inspection of all tracks twice a week.
- Each working day, the first train out of the various yards does a visual inspection of all track on the system prior to the beginning of operations.
- Every 120 days, an ultrasonic inspection is done of all tracks to detect any flaws which may exist.
- All tracks are inspected with a track geometry vehicle to assure that they meet proper specifications.
- Before operations begin each day, an electronic check is done on all vital functions of each individual rail car to assure that all systems are in order. This includes all safety systems.
- There is a daily visual inspection of each car prior to the beginning of service.

Safety is and always has been central to our operating philosophy. We have taken these two CSX derailments seriously, and are, we believe, responding in a prudent manner to increase the safety of our passengers. We will continue to monitor the situation to assure that the actions we are taking are effective.

SYSTEM COMPLETION

As we reported to the Congress last year, we intend to seek a reauthorization of our Stark-Harris legislation to complete the full 103 mile Adopted Regional System. The 13.5 miles of the 103 mile system that are not covered by the current Stark-Harris authorization are:

- The Green Line north of "U" Street to Columbia Heights and connecting to the outer Green and Red Lines at Fort Totten;
- The Green Line from Anacostia to the Branch Avenue terminus in Prince George's county;
- The Red Line from Wheaton to the Glenmont terminus; and
- The Yellow Line from Van Dorn to the Springfield/Franconia terminus.

The total cost to complete these segments will be approximately $2.7 billion. Completion of the 103 mile system is vital to the regional transportation network serving residents and visitors from around the country and the world to the national capital area. We will continue to work closely with the Congress, the Administration, and State and local officials throughout the region as we seek to maintain the Federal/local partnership that has endured throughout construction of the Metrorail system.

CONCLUSION

In conclusion, our FY 1989 request is $221.7 million. This request is consistent with the requirements of the Full Funding Agreement to complete 89.5 miles of the system and to bring these lines into revenue service, providing the same quality service that is available today. The FY 1989 funds we are seeking will enable us to maintain momentum in our construction program, purchase additional cars to meet increasing ridership demands, cover the cost of construction claims, proceed with critical bus and rail reliability projects that have been postponed, and initiate future design work in order to complete the system in a cost-efficient manner. Our FY 1989 request is fully covered by the current Stark-Harris authorization and is designed to use those funds in a cost-efficient manner.

We greatly appreciate the past support of this Subcommittee and the Congress in maintaining the Federal commitment to constructing and operating a mass transit system worthy of the nation's capital. We clearly recognize the difficult choices and trade-offs that must be made funding critical programs while operating under severe fiscal constraints. I want to take this opportunity to reaffirm to you that our construction program and our day to day operations are being managed in a fiscally responsible manner. We assure you that we take seriously the public trust that is vested in us and are judicious in our expenditure of public funds. Our diligent efforts to control costs while taking advantage of the latest technological advances is resulting in our construction program for 89.5 miles of the system being completed within budget and within the Stark-Harris authorization.

STATEMENT OF ALFRED A. DELLIBOVI, ADMINISTRATOR, URBAN MASS TRANSPORTATION ADMINISTRATION

Senator LAUTENBERG. Thank you very much, Ms. Turner, for a very helpful testimony. It is quite an impressive record thus far, and we hope that you are going to be able to extend that further.

We did want Mr. DelliBovi to be here with us during your testimony because, as you heard and I am sure your staff heard during Mr. DelliBovi's earlier testimony, the Grim Reaper is standing by and we wanted to give him a chance to hear what is proposed and ask him for a summary form. I really do not mean that, Mr. Reaper. It is just that you have a kind of ominous look about you and you are so parsimonious. [Laughter.]

Other than that, if you have no problem; we have no real differences. So, Al, do you want to respond?

Mr. DELLIBOVI: Well, thank you Senator. Thank you, I have been called a lot worse in political campaigns in Queens, so I may keep that in mind. Let me just say that I would like to, if I may, have you place my entire statement into the record.

We are in substantial agreement this year with WMATA about the level of federal funding required to continue their 89.5 Metrorail system's progress. We are closer than we have been at other times. I want to compliment WMATA; they have been very successful. Their construction climate has also been very favorable due to the President's Economic Recovery Program which has brought inflation down and, as a result, the contracts are coming in at a much lower cost than was originally estimated. That is good news for WMATA and I hope, good news for the committee. It causes them at WMATA to face a tough choice; namely, what to do with an estimated $94.3 million windfall that results from the fact that the bids are coming in under what they estimated.

One option is to buy 80 more railcars beyond the 18 that UMTA has already approved; another option would be to initiate construction of elements of the Van Dorn Franconia/Springfield extension, or any of the other segments. The bottom line is there is an extra $94.3 billion that we have identified today.

If the balance of the contracting continues to come in at a favorable level, that is, if inflation continues to hold, that amount may even creep up a little bit. That is good news for everyone. It would be great news if it would buy them the whole 103 miles; but we know it will certainly buy them a lot more than the 89.5 miles. That is something that we consider in our deliberations.

I will be happy to answer questions.

PREPARED STATEMENT

Senator LAUTENBERG. Thank you, Mr. DelliBovi. Your statement will be made part of the record.

[The statement follows:]

STATEMENT OF ALFRED A. DELLIBOVI

Mr. Chairman and distinguished members of the subcommittee, I am pleased to appear before you today to discuss our budget proposal for the Washington Metropolitan Area Transit Authority's (WMATA) rail construction program.

At the outset, let me say this task is made more pleasant by the fact that UMTA and WMATA are in substantial agreement on the level of Federal funding required in Fiscal Year 1989 to continue construction of the federally-authorized, 89.5-mile metrorail system.

During the course of this hearing today, I would like to discuss our continuing efforts to assist WMATA and its participating jurisdictions in the development of a funding plan beyond the present Stark-Harris Authorization.

We are currently reviewing WMATA's financial plan for construction of the Phase III Segment from College Park to Greenbelt. Approval of this plan would utilize the $180.5 million of Fiscal Year 1988 funds which the Congress has appropriated. These funds will enable WMATA to undertake construction of the final 2.1 miles of the authorized system as provided under our full funding agreement with WMATA and to procure an additional 18 rail cars.

Now, turning again to the subject of this hearing, the Department's Fiscal Year 1989 budget proposal of $128 million will provide sufficient funds to carry on project management activities for the authorized construction program to be approved this year and to restore approximately $103.8 million of funds which WMATA and its jurisdictions have pledged or temporarily advanced to maintain the construction schedule.

The balance of the Stark-Harris authorization remaining beyond Fiscal Year 1989 will be more than adequate to complete the authorized metrorail system. These funds will be utilized for construction management, start-up, necessary equipment and other costs associated with bringing the authorized system into revenue operation.

It is appropriate to note at this point that, based on estimates by our project management oversight contractor as well as WMATA, the construction costs of the authorized system are well within the funds available under the Stark-Harris authorization.

Indeed, we are told by WMATA that the Greenbelt line in Prince George's County may be completed up to a year ahead of schedule. However, I caution that these are only estimates which cannot be verified until all construction contracts are awarded for the Phase III construction program which will occur, according to current schedules, in the coming year.

Consequently, we believe that WMATA's proposal for the commitment of Stark-Harris funds to any additional metrorail activities or equipment is outside the scope of our full funding agreement.

Our July 1986 agreement with WMATA provides a Federal commitment to completion of the 89.5-mile system under a financial plan developed by WMATA and agreed to by its participating jurisdictions. Based on current estimates and recent bidding experience, we expect this system will be completed within the $1.7 billion authorized by the Stark-Harris Legislation. Turning to the future, we continue to urge WMATA and the local jurisdictions, as has this Congress, to develop a

realistic financial plan to complete construction of its metrorail system using private and non-federal public financing.

As we have often pointed out, WMATA has received more Federal construction support than the sum total of the funds received for the construction of every other new rail transit system in America. Further, WMATA is second only to New York city in total funding received since the inception of the Federal support program for transit.

Federal support for mass transit in Washington, D.C. amounts to $1,999 per capita, higher than any other jurisdiction in the country. Higher than the $756 per capita in Trenton, New Jersey, and the $74 per capita in Jackson Mississippi. Higher than the $240 per capita in Charleston, West Virginia and the $148 per capita in Des Moines.

Higher than the $206 per capita in Milwaukee and the $218 per capita in Hartford.

While the Washington Metropolitan Area has received a disproportionate level of Federal assistance, it is one of the wealthiest areas in the Nation. We completed and transmitted to the Congress last year a financial review of WMATA and the participating jurisdictions which clearly demonstrates the strength and ability of the local economy to provide greater local resources to the system.

We continue to support equal treatment for all transit systems in this country and to oppose "most favored system" status for any one system, WMATA included. We are fully convinced that the Washington area has the capacity to fund the system beyond the federally-authorized 89.5 miles from non-federal public and private sources.

I do wish to compliment WMATA and Mrs. Turner for fulfilling the intent of our agreement to complete the metrorail system within Stark-Harris. They seem to be under budget and ahead of schedule, a noteworthy achievement among transit construction projects underway around the country.

Our full funding agreement, which prioritized completion of these miles of the system and provides an assured funding program to meet construction schedules, contributed to this positive state of affairs, as did WMATA's cooperation in our project management oversight program.

WMATA has been so successful and the construction climate so favorable because of President Reagan's economic recovery program that a tough choice is now faced on what to do with an apparent $94.3 million balance: Buy 80 rail cars beyond the 18 I have already approved, or initiate construction of elements of the Van Dorn/Franconia-Springfield extension.

I have raised the point with WMATA that it should consider taking advantage of this favorable construction climate and pursue system construction in order to maximize construction savings. I asked that my concerns be considered about the relative priority of additional cars versus additional construction.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to questions.

AVAILABLE FUNDING

Senator LAUTENBERG. Do we want to punish WMATA for good contract execution and things of that nature? I guess not really.

Mr. DELLIBOVI. Not at all. I would certainly want to make sure that we recognize that money is there, and it ought to be put to use and taken into consideration; $100 million is a significant amount of money. It just cannot be ignored in your deliberations.

Senator LAUTENBERG. Ms. Turner, how do you respond to that? Mr. DelliBovi described it as a windfall.

Ms. TURNER. I do not quite describe it as a windfall, Mr. Chairman. We are obviously quite pleased that the bids have come in lower, and therefore, there are additional funds available under the Stark-Harris authorization. Our mandate is twofold: One is to build the system; the other is to operate the system. I believe that when we signed the Full Funding Agreement that required that we build in operable segments, it did not mean simply putting the concrete and the track out there, but that we would have the rolling stock necessary to maintain the same level of service.

Transit is dynamic. The ridership projections we had at the time we entered into the Full Funding Agreement have changed dramatically. If you are out on the system, you will see that on the Vienna Line, our ridership far outpaces earlier ridership projections.

Therefore, we believe that we are obligated to request approval of the additional cars so that we can maintain the level of service necessary to achieve our mission of mobility in this region. We believe that the 80 cars are essential to that mission.

FISCAL YEAR 1989 REQUEST

Senator LAUTENBERG. The agency is requesting a 23-percent increase over fiscal year 1988's level. That is $221 million—I'm rounding off here—versus approximately $180 million last year. Given the constraints the transportation budget faces, and you have heard about those and read about them, how can we justify the size of this increase to colleagues who have communities in which the need is, in many cases, drastic and urgent? How do we make the case, Ms. Turner?

Ms. TURNER. I have to respond to it based on where we find ourselves, Mr. Chairman. We entered into a Full Funding Agreement. We have a target date for completing the construction. The Full Funding Agreement says if the federal appropriation comes in lower than necessary to complete a segment, we have to pledge other money. We have to ask local jurisdictions to advance matching money in order to maintain the momentum of the construction program.

The construction program has to go forward. We believe that to slow the construction program down would ultimately cost the Congress, this region, and everyone, additional funds. Therefore, in order to meet our obligation under the Full Funding Agreement, we believe that we have no choice but to ask for that amount which closes the gap between the local share and the federal share.

CONSTRUCTION BEYOND 89.5 MILES

Senator LAUTENBERG. How much of your request would go for the system design beyond the 89.5 miles?

Ms. TURNER. There is some $11 million plus a match that would go for design work beyond the 89.5-mile system. Now let me point out, Mr. Chairman, that money was approved for design work prior to

negotiating the Full Funding Agreement. Had we not negotiated the Full Funding Agreement, most of that work would be done. But in order to meet the requirements of full funding, we had to pledge any additional money to close the gap between the federal appropriations and the cost of construction.

Senator LAUTENBERG. How much of your request would be used for right-of-way purchase beyond the 89.5-mile system?

Ms. TURNER. This request does not cover any money for right-of-way. Any right-of-way purchase would be within the 89.5-mile system.

Senator LAUTENBERG. The question, Ms. Turner, again is on balancing competing requests. Competition for scarce resources is so enormous. We are joined by our distinguished colleague from the state of Maryland, Senator Mikulski. Senator, I have a few more questions I would like to ask. Do you have some questions or would you like to make a statement at this time?

Senator MIKULSKI. Well, Mr. Chairman, why don't you go on with the questions; I am happy to wait.

Senator LAUTENBERG. Ms. Turner, last year you reported that after exhausting the Stark-Harris authorization, you would seek authorization of that legislation to complete the remaining 13.5 miles of the 103-mile system. What is the status of that effort?

Ms. TURNER. There are a number of activities that are underway. We are reviewing our estimates to make sure that we have a good solid estimate for the cost. We are reviewing the status of the design work. Some of that work has been done; more has to be done. We are working with the Congress, and particularly with our local delegation with respect to developing the legislation. We would hope, very soon, to have that legislation introduced into the Congress.

Senator LAUTENBERG. After the Stark-Harris funding is exhausted, some very important segments of your system would still be undone.

Ms. TURNER. That is correct.

USE OF NEW START FUNDS

Senator LAUTENBERG. If these segments were to compete with other systems or trust-funded new start projects, I guess it would not be fair to ask you how do you think they would match up. If you could recommend how we deal with it, I would be interested in your views.

Ms. TURNER. Well, I would like to respond to that question. First of all, we do not view Washington Metro as a new start. The adopted regional system was approved by the Congress almost 20 years ago. We have been moving to build a regional system.

If you look at those pieces that are now left to be built, they clearly represent completing an ongoing regional system; they really do not lend themselves to a definition of new starts.

Let me be specific about that. If you look at the piece that connects U Street to Fort Totten, you simply can not define that as a new start. That is a very critical part of a regional system. If you look at the piece that goes down to Springfield/Franconia or out to Wheaton, those are terminal stations.

If we do not complete those, we have problems in terms of operating the system, problems in terms of storage and inspection yards. Where are we going to store the trains? How are we going to get all those trains into revenue service? How are we going to deliver the service, if indeed we do not build the required maintenance facilities and have them strategically placed around the region to utilize effecitvely this major federal investment?

So I do not see Metrorail and the segments that are left unbuilt lending themselves to the definition of new starts.

Senator LAUTENBERG. Mr. DelliBovi, do you have a view of that?

Mr. DELLIBOVI. Senator, we continue to support equal treatment for all transit systems in this country. Those additional operable extensions are no different from extensions we would see proposed in Los Angeles. The little dash on the Green Line looks very little different from a dash in New York on their Queens Boulevard super express proposal.

The real issue that the Congress is going to have to face with Stark-Harris is the question of most favored status for any one particular system. If I were in Ms. Turner's shoes, I certainly would seek this most favored status.

It has been noted often that WMATA has received more federal construction support than the sum total of the funds received for construction of every other new rail transit system in America. WMATA is second only to New York City in the total funding received since the inception of the federal support program for transit. And, I might add that this special authorization started before there was an Urban Mass Transportation Administration or a New Starts Program.

If I were in Ms. Turner's shoes, I would seek that special authorization. I think the real question is: Can the country afford it? I believe the answer is no.

COST EFFECTIVENESS CRITERIA

Senator LAUTENBERG. How about Mr. DelliBovi's shoes? Has UMTA done an analysis on how the remaining segments do under your cost effectiveness criteria?

Mr. DELLIBOVI. On April 7, 1986, we transmitted to the Congress the results of the study of the cost effectiveness of the portions of the WMATA system for which construction has not yet begun. That rated the various segments within our cost effective criteria that we described at the earlier hearing. I will be happy to provide for the record, an additional copy of that report.

[The information follows:]

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY'S FINAL 26 MILES

FINAL REPORT

PREFACE

We would like to take this opportunity to thank COMSIS Corporation for their help in preparing this report under contract to the Urban Mass Transportation Administration, Office of Planning Assistance of the U.S. Department of Transportation. The principal investigator of this report was Nancy G. Cooper of COMSIS Corporation.

We would also like to thank the staff in the WMATA Office of Construction and Management for their aid and cooperation in providing documents and other pertinent information for use in this report. However, WMATA has had no input into the decision to use values derived from the 1978 WMATA Alternatives Analysis Report, nor the manner in which these values were used to calculate the cost-effectiveness indices. Therefore, the results of this report do not reflect the views of WMATA or its staff.

Although both UMTA and WMATA staff believe that the values in the 1978 WMATA Alternatives Analysis do not accurately portray the costs and benefits of constructing the entire system, the cost and ridership values used in this report are the best currently available to UMTA. When updated values become available to UMTA, the results presented in this report could be re-evaluated. However, we would not expect the relative relationships among the WMATA segments to change appreciably.

EXECUTIVE SUMMARY

This report is in response to the Senate Appropriations Committee request contained in Senate Report 98-179 for an UMTA analysis of the prospects for completion of the final 26 miles of the 103-mile (Washington Metro) system under criteria outlined under "new starts." The Federal policy statement on new starts, which describes the new start rating system and how prospective projects will compete for available Federal discretionary funds, was published in the Federal Register on Friday, May 18, 1984. This report discusses the application of the new start criteria to the four remaining segments of the WMATA metrorail system, and whether they meet the minimum UMTA criteria for competing for new start funds. However, it should be noted that the Administration's FY 1987 budget proposal calls for the elimination of the Section 3 discretionary new start program.

WMATA currently has 60 miles of the system in operation and another 17 miles fully funded and under construction. This comprises the 77-mile system which has received Federal construction approval and leaves a balance of 26 miles yet to be funded under a 103 mile scenario.

These 26 miles are:

- 1.77 miles on the Red Line (B Route) from Wheaton to Glenmont

- o 10.84 miles on the Green Line (E Route) from U Street to Greenbelt
- o 6.34 miles on the Green Line (F Route) from Anacostia to Branch Avenue
- o 7.05 miles on the Yellow Line (H Route) from King Street to Franconia-Springfield

The estimated total cost to construct the four segments, which include 15 new stations, 4 yards, and new railcars, is $2.8 billion. At current estimations, WMATA has sufficient funds in the Stark-Harris authorization to construct approximately 13 of the remaining 26 miles. WMATA has submitted a proposal to UMTA for an 89-mile system which would deplete the Stark-Harris funds. In addition to the 77 miles approved by UMTA, the 89-mile system would include completion of the Fort Totten to Greenbelt stations on the Green Line (8 miles) in Prince Georges County and the Van Dorn Street station on the Yellow Line (4 miles) in Alexandria. While in March 1985 UMTA agreed in principle with WMATA's definition of the 89-mile system, details and funding have not been worked out through the ultimate execution of a full-funding contract.

WMATA had been receiving about $250 million annually from the Stark-Harris authorization. At the current level, there would have been sufficient funds available under this authorization to fund the WMATA program through FY 1989. At that time, unless additional funds were authorized, WMATA would have needed to compete with other projects for any available Federal discretionary new start funds, according to the specifications of the UMTA rating system. This now would all be changed under DOT's present budget projections. However, WMATA and the local jurisdictions could nonetheless find their own dedicated sources of funding. They could then rate those segments using the method presented in this report.

The ratings presented in this report for the remaining WMATA system segments, are based on the best data currently available to UMTA. This data consists of the capital and operating costs (adjusted for inflation), the 1990 patronage and the proposed alignments from the WMATA Alternatives Analysis published in 1978. The results are shown below:

Route Segment	Index (84$)
Anacostia to Branch	$4.63
U Street to Greenbelt	6.56
Wheaton to Glenmont	17.73
King Street to Franconia-Springfield	17.89

In order to eliminate projects which are obviously not cost-effective, threshold criteria have been established as part of the new start rating system. The first threshold requirement states that the preferred alternative must produce a gain in ridership compared to the transportation system management (TSM) alternative. All four of the WMATA segments under consideration comply with this criterion.

The second threshold criterion requires that the total cost-effectiveness index for a project be less than $6.00, in order to assure a minimum level of cost-effectiveness. According to the indices computed using the data presented in the WMATA Alternatives Analysis, only the Branch Avenue segment with an index value of $4.63 meets the second threshold criterion. The other three segments--Greenbelt, Glenmont and Franconia--fall above the $6.00 maximum threshold level. The Greenbelt segment at $6.56 is

only slightly above the threshold and could possibly meet this criterion when updated cost and patronage data are considered. The Glenmont and Franconia-Springfield segments have index values of $17.73 and $17.89 respectively, which are almost three times the threshold value. With such high index values, these two corridors would not be likely to qualify to compete for Section 3 discretionary funds, were they available.

In fact, the full-funding contract negotiations will now have to concentrate on completing the 77-mile system due to the President's 1987 budget proposals to eliminate both Section 3 funding and Washington Metro Funding.

Therefore, based on the findings of this report, only the Branch Avenue corridor, would appear to be competitive at this time. Before any decisions are made, WMATA should prepare cost-effectiveness indicies for each project based on current data, which would be comparable with the data developed by other competing cities.

The report that follows starting on page 1 is written as if WMATA funding and Section 3 funding are to be available in future years. As mentioned previously, the President's 1987 budget proposes funding neither. It is with that understanding that this report is presented. It should be noted that a recent study "Transit in the Nation's Capital: What Lies Ahead?" by the Federal City Council suggests that the future ridership on the Metrorail System will be considerably lower than previously estimated. These data were not considered in this study. If these data were included the indicies for the various route segments shown on the previous page would be higher.

CHAPTER 1
INTRODUCTION

Introduction

This report is in response to the Senate Appropriations Committee request contained in Senate Report 98-179 for an UMTA analysis of "the prospects for completion of the final 25 miles of the 101-mile (Washington Metro) system under criteria outlined under 'new starts.'" It should be noted that the selection of the revised Branch Avenue alignment for the Green Line in Prince Georges County increased the mileage of the planned system, changing the subject of this report from WMATA's final 25 miles to 26 miles. The committee elsewhere in the report provided a framework for a new starts policy to aid UMTA in the distribution of Section 3 funds for new start rail projects. In evaluating potential new start projects, UMTA was directed to pay particular attention to the results of alternatives analysis, the degree of cost-effectiveness, and the degree of local financial commitment, including evidence of stable and dependable funding sources.

The Federal policy statement on new starts, which describes the new start rating system, was published in the Federal Register on Friday, May 18, 1984. This policy builds upon previous policy statements on major transit investments issued in 1976, 1978 and 1980 by further defining the decisionmaking process and emphasizing local fiscal effort. It specifies the derivation of the two cost-effectiveness indices--total and Federal. Inputs to both cost-effectiveness indices include annualized total capital and operating costs, travel time savings to existing riders, and estimated new riders. The Federal index differs from the total index by giving a credit for the local

share of capital costs. A local area can improve its Federal index value by increasing the amount it will contribute to the capital cost of the project.

This report discusses the application of the new start criteria to the four remaining segments of the WMATA metrorail system. As part of this, the cost-effectiveness indices of these segments will be compared with UMTA threshold criteria for competing for new start funds in accordance with its major capital investment policy.

Background

The Washington Metro system is unique because of the number of local and state jurisdictions involved in planning, constructing, operating, and funding the system. These local jurisdictions are:

- Alexandria,
- Arlington County,
- District of Columbia,
- Fairfax City,
- Fairfax County,
- Falls Church,
- Montgomery County, and
- Prince Georges County,

The two states involved are Maryland and Virginia. Each jurisdiction participates in all major decisions concerning WMATA. In addition, each jurisdiction has been contributing construction funds based on their final share of the 103-mile system.* If the 103-mile system is not completed, some areas would have contributed more than their share.

The existing Metro system, as of May 1, 1985 consists of 60 miles and 60 stations:

- The Red Line travels from the Shady Grove station in Montgomery County through the District of Columbia back to Montgomery County to the Silver Spring station (26.52 miles; 23 stations).

- The Orange Line extends from the Ballston station in Arlington County through the District of Columbia to the New Carrollton station in Prince Georges County (16.69 miles; 21 stations).

- The Blue Line goes from National Airport in Arlington County through the District of Columbia to the Addison Road station in Prince Georges County (15.79 miles; 20 stations).

- The Yellow Line extends from the Huntington station in Fairfax County to Gallery Place in the District, also

*As a result of the 1978 Alternatives Analysis a 101.07 mile metrorail system was approved by WMATA in conjunction with the local jurisdictions. Then in December 1984, after much controversy, the WMATA Board approved a revised alignment for the Branch corridor, which extended the system to 102.96 miles. In this report the 102.96 mile system is referenced as the 103 mile system.

one of the stations along the Red Line (10.05 miles; 11 stations).

UMTA has continued to provide Federal assistance in support of the 77-mile system, although local jurisdictions plan to extend the system to 103 miles. Construction work has begun on most uncompleted segments of the 77-mile system. The sections of the 77-mile system which as of May 1, 1985 were not yet operating passenger service include:

- The Red Line from the current Silver Spring terminus to the Wheaton station, the entire segment within Montgomery County;
- The Green Line from the Gallery Place station to the U Street station, entirely within the District, which includes the Yellow Line from Gallery Place to Mt. Vernon Square/UDC;
- The Green Line from the L'Enfant Plaza station to the Anacostia station, entirely within the District; and
- The Orange Line from the Ballston Terminus in Arlington County to the Vienna station in Fairfax County.

The complete 77-mile metrorail system with 72 stations is expected to be operational by 1990. The shaded sections of the metrorail system presented in Figure 1 display the 77-mile system.

The last 26 miles, which include four system segments which may be required to compete for Section 3 new start funds sometime in the future after the Stark-Harris authorization has been depleted, are:

- 6.34 miles, five stations, and a storage yard on the Green Line (F Route) from the Anacostia station in the District to the Branch station in Prince Georges County (see Figure 2);
- 10.84 miles, seven stations, and a service and inspection yard on the Green Line (E Route) from the U Street station in the District to the Greenbelt station in Prince Georges County (see Figure 3);
- 1.77 miles, one station, and a storage yard on the Red Line (B Route) from the Wheaton to the Glenmont stations in Montgomery County (See Figure 4); and
- 7.05 miles and two stations of the Yellow Line (H Route) extension from the King Street station in Alexandria to the Franconia-Springfield station in Fairfax County (see Figure 5).

At current estimations, WMATA has sufficient funds in the Stark-Harris authorization* to construct approximately 12 of the remaining 26 miles. WMATA has submitted a proposal to UMTA for an 89-mile system which would deplete the Stark-Harris funds. In addition to the 77 miles approved by UMTA, the 89-mile system

*Under Public Law 96-184, Congress authorized $1.7 billion for construction of the WMATA metrorail system. In 1980 when Congress passed this law, the authorized amount was estimated to be sufficient to fund the remaining portions of the system (then expected to be 101 miles).

FIGURE 1

THE WASHINGTON METRORAIL SYSTEM

Code:

- 77 Mile System
- 89 Mile System
- 103 Mile System
- Stations
- Transfer station

FIGURE 2

BRANCH SEGMENT

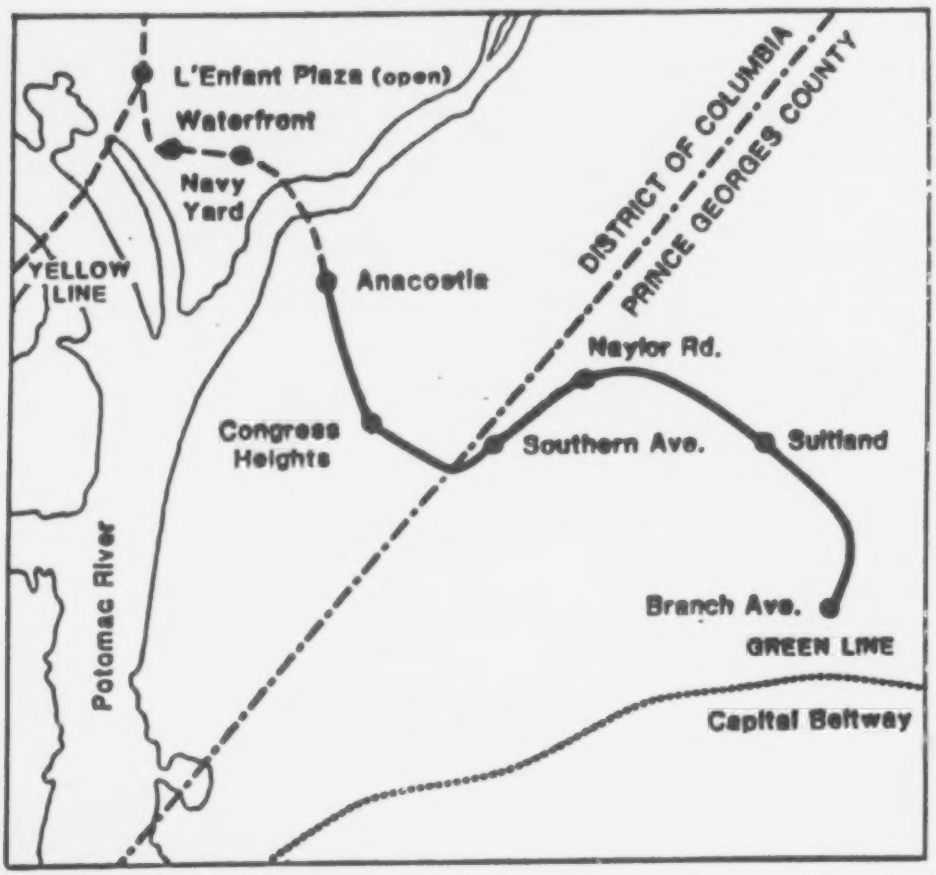


FIGURE 3

GREENBELT SEGMENT

Code:

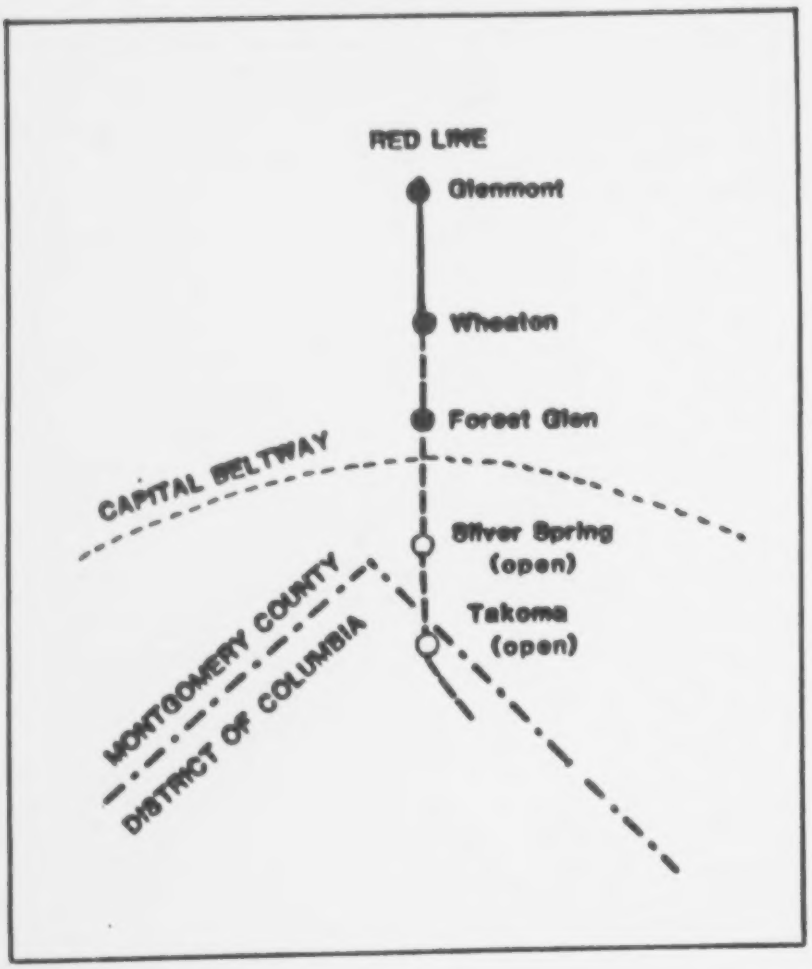
77 Mile System

88 Mile System

103 Mile System

FIGURE 4

GLENMONT SEGMENT



Code:

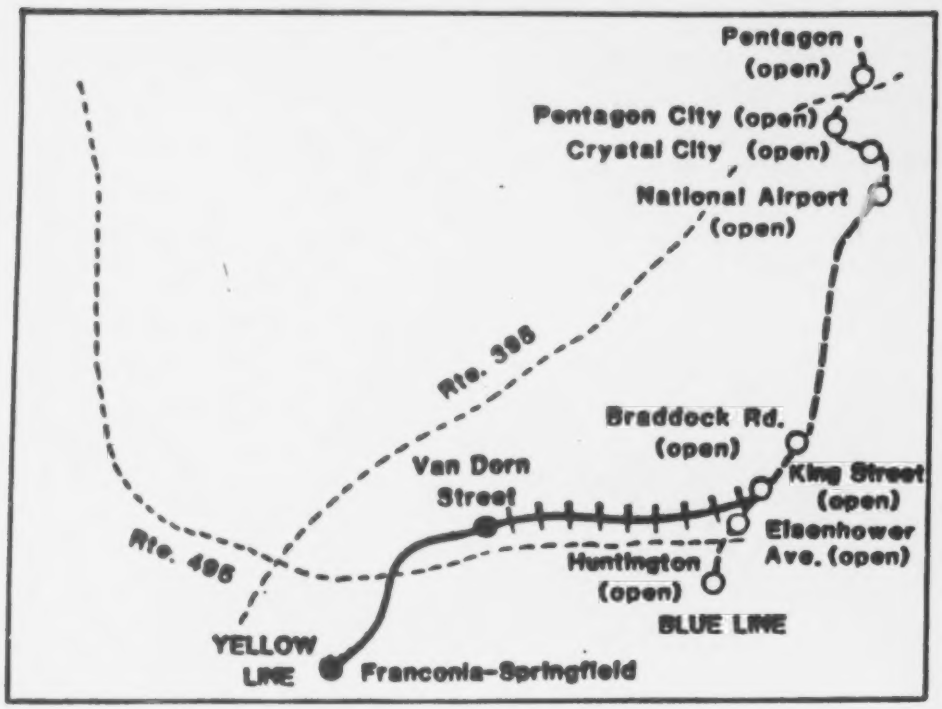
77 Mile System

89 Mile System

103 Mile System

FIGURE 6

FRANCONIA - SPRINGFIELD SEGMENT



Code:

77 Mile System

89 Mile System

103 Mile System

would include completion of the Fort Totten to Greenbelt stations on the Green line in Prince Georges County and the Van Dorn Street station on the Yellow line in Alexandria. On March 19, 1985 UMTA agreed in principle with WMATA's definition of the 89-mile system. However, details and funding have not been worked out through the ultimate execution of a full-funding contract. Figure 1 shows the relationships between the 77-mile system, the 89-mile system and the 103-mile system agreed to by a pact of area jurisdictions and the WMATA Board.

This report analyzes the four segments that comprise the last 26 miles of the planned Washington Metrorail System, according to the specifications of the UMTA rating system discussed in its "Major Capital Investment Policy" for new starts, published in the Federal Register on May 18, 1984. Table 1 presents descriptive information for each of the four segments including estimated total cost to construct, number of stations, additional rail cars required, and estimated opening date.

TABLE 1

THE LAST 26 MILES OF THE WMATA METRORAIL SYSTEM

Line Color	Letter	Corridor	Total Capital Cost (84$)*	Length (miles)	Number of Stations	Estimated Opening Date
Green	F	Anacostia to Branch	825.7M	6.34	5	late 1997
Green	E	U St. to Greenbelt	1,308.8M	10.84	7	late 1992 (Fort Totten to Greenbelt) mid-1994 (U St. to Columbia Heights) early 1996 (Columbia Heights to Fort Totten)
Red	B	Wheaton to Glenmont	312.5M	1.77	1	early 1994
Yellow	H	King to Franconia/ Springfield	272.5M	7.05	2	early 1994
TOTAL			$2,719.5**	26.00	15	

*Based on WMATA estimates.
**The current matching ratio under Stark-Harris is 80% Federal, 20% local. Using this ratio the Federal share would be $2,175.6M and the local share $543.9M in 1984 dollars.

CHAPTER II
WMATA FUNDING HISTORY

When Federal intent to fund the 98-mile Adopted Regional System (ARS) was first expressed in 1969, Federal funds were to be authorized directly from Congress. At that time, it was estimated that the system would cost $2.5 billion, and would be funded by $835 million in revenue bonds (33%), $574 million in local funds (22%) and $1.14 billion in Federal funds (45%).

In 1972, Congress relieved WMATA of the prospect it faced of selling revenue bonds at a high interest rate by authorizing the sale of $1.2 billion in bonds with a 100 percent Federal guarantee. Eventually $997 million in bonds were sold, netting $763 million for rail construction. These bonds were to be retired from profits out of the farebox.

In 1975, after the cost of the system had escalated by more than $1 billion to about $3.8 billion, the three local jurisdictions (District of Columbia, Maryland and Virginia) began using their interstate transfer funds to construct the system. These funds had a 15 to 20 percent local match requirement. A total of $2,155.8 million in Federal Interstate Transfer Funds plus $454 million in local share were contributed to metrorail construction between FY 1976 and 1983.

Then, in 1978, due to Congressional concerns with escalating system costs, Congress mandated an alternatives analysis for the proposed WMATA system. This study resulted in approval by local officials of a 101-mile system,* estimated to cost $7.2 billion. At this point in time, WMATA determined that the Interstate Transfer Funds would not be sufficient to complete the entire system. It also became clear that WMATA would never be able to retire its bonds out of operating (farebox) revenues as originally anticipated. Faced with WMATA's threat to default on the bonds, which would have resulted in a requirement for their immediate payoff by the Federal government, a two-part agreement was reached providing for (1) Federal payments for two-thirds of the interest and principal on the bonds as they accrued, and (2) an additional authorization for $1.7 billion in Federal contributions (at 80/20 matching) to complete the balance of the 101-mile system. This legislation became the National Capital Transportation Amendments of 1979 (PL96-184), or the Stark-Harris legislation. At the time, it was estimated that the $1.7 billion in funds available under the Stark-Harris authorization would be sufficient to complete the full 101-mile* system. However, this is no longer the case; the remaining Stark-Harris authorization at 80 percent Federal and 20 percent local matching ratio is expected to provide funds to complete approximately 89 miles of the system.

The Federal/local split of WMATA construction funds has varied through the years since construction was initiated in 1969, consistent with changes in Federal legislation. Now Congress has directed UMTA to work toward a national goal of a 50

*As a result of the Alternative Analysis study, the 98 mile ARS was increased to 101 miles. The system was revised to include a station at Shady Grove Road, and the location of the planned Greenbelt Station was extended outward. In addition, the Springfield Station was eliminated, along with the spur from the Springfield to Van Dorn Stations.

*Since then, the Branch Avenue alignment has been revised, which increased the planned system to 103 miles.

percent local share, so that scarce Federal dollars can be stretched further, and distributed among more projects. In the new start rating process, both total and Federal cost-effectiveness indices are calculated. The Federal index deducts the local share from the cost measure. Projects with a higher local share will have a lower Federal cost-effectiveness index and are expected to have an improved chance for receiving Federal funds. If WMATA increased its local share to 25 percent** or more, it would be able to construct more than 89 miles with the existing Stark-Harris authorization, as well as have a better chance of competing for additional Federal funds with projects in other cities.

The current official cost estimate for completing the entire 103-mile system is about $9.7 billion (1984 inflated dollars). However, unofficial estimates by some place the cost in excess of $11 billion. At minimum, an additional $3.8 billion in Federal and non-Federal funds is required to construct the remaining parts of the system. To date, $5.9 billion has been spent on the WMATA system including $3.9 billion in Federal funds. Congress has appropriated $250 million under Stark-Harris for WMATA in FY 1985, with another $227 million appropriated in FY 1986, and the balance needed to complete the 77-mile system or $83 million could have been available in FY 1987. That would have left a remaining balance of $650 million under the authorization. WMATA estimates that this $650 million when and if matched with local funds will be sufficient to complete an additional 12 miles of the remaining 26 miles. Table 2 presents the types of funds used to support construction of the metrorail system and its Federal share, as well as the amount needed to complete the 77-mile system, the amount of the Stark-Harris authorization remaining after construction of the 77-mile system, and additional funds needed to complete the now 103-mile system.

**The current Federal/local split for Section 3 construction funds is 75 percent Federal and 25 percent local. Funds authorized under Stark-Harris have an 80 percent Federal and 20 percent local share requirement.

TABLE 2

WMATA CONSTRUCTION FUNDING SUMMARY
(Millions of Dollars)

Federal Grants (Federal Share)		Total Funding thru FY 1985	Estimated Additional Funding to Complete 77 Miles	Estimated Additional Funding to Complete 89 Miles	Estimated Additional Funding to Complete 103 Miles	Total
Direct Appropriation	(66%)	$1,147.0	—	—	—	$1,147.0
Stark-Harris	(80%)	740.0	$310.0	$650.0	—	1,700.0
Elderly & Handicapped Facilities	(80%)	52.0	—	—	—	52.0
Arlington Cemetary Station	(100%)	7.4	—	—	—	7.4
Federal Aid Urban Systems (FAUS) Funds for Parking Facilities	(90%)	28.5	—	—	—	28.5
Interstate Transfers	(85-80%)	2,155.7	—	—	—	2,155.7
Additional Funding Required	(80%)	—	—	—	1,831.9	—
SUBTOTAL - Federal		$4,130.6	$310.0	$650.0	$1,831.9*	$6,790.6
BOND PROCEEDS		763.4**	—	—	—	763.4
LOCAL FUNDS		1,215.6	152.5	162.5	458.0	1,955.6
TOTAL		$6,109.6	$462.5	$812.5	$2,289.9	$9,674.5

*The $1.8 billion is a WMATA staff estimate of the Federal funds needed beyond Stark-Harris to complete the 103-mile system, assuming the same 80/20 matching rates.

**Of the $997 million worth of WMATA bonds that were sold, $763.4 million was devoted to WMATA construction. The balance was utilized for interest payments by WMATA. Federal interest payments on the WMATA bonds are currently $53 million a year. Through FY 1984, the Federal Government has paid $463 million in interest payments, which are not included in the $9,674.5 total system cost presented here.

CHAPTER III
COMPUTING THE WMATA INDICES

New Start Rating System

The Federal policy statement on new starts, which describes the new start rating system, was published in the Federal Register on Friday, May 18, 1984. This policy revises previous policy statements on major transit investments. The purpose of the rating system is to provide an objective quantifiable comparison of pending new start proposals. Decisions as to which projects should receive limited available funds can then take into account the relative merit of these projects, in terms of cost-effectiveness and local financial support.

The Surface Transportation Assistance Act of 1982 (PL97-424) established the Mass Transit Account as a part of the Highway Trust Fund and funds were authorized through FY 1986. The mass transit account is funded by a 1¢ a gallon Federal gas tax. Those funds are available for the construction of new fixed guideway projects (new starts and extensions), rail modernization projects and bus (facilities and equipment) projects. Historically, about $400 million a year in discretionary funds has been available for the construction of fixed guideway projects. Currently, there are more projects interested in receiving Federal assistance for new start projects than the budget can support. The function of the rating system is to assist in the allocation of funds to the best projects. To accomplish this, the system compares projects against each other by use of cost-effectiveness indices and identifies those that have the highest relative rating.

The rating system described in the policy statement is consistent with Congressional instructions stated in the 1984 Senate Appropriations Conference Report (SR 98-179) and adopted in the Conference Report (HR 98-318), which directed UMTA to consider: the results of alternatives analysis, cost-effectiveness, and the degree of local financial commitment including evidence of stable and reliable funding sources to maintain and operate the system; also the degree of local government support, private sector support, community support, and participation of minority business. The rating system is based on two cost-effectiveness indices and an assessment of local financial commitment to the project. Implicit in the consideration of cost-effectiveness is the result of alternatives analysis. Local financial commitment includes the degree of local government support and private sector support. The other criteria listed in the Conference Report, community support and the participation of minority business are considered to the extent they are documented by the grantee.

The rating system total index for a particular project is the result of a mathematical calculation of the incremental annual capital and operating costs of the locally preferred alternative over that of the Transportation System Management (TSM) Alternative (non-guideway low capital intensive improvements to the existing transportation system in order to make it operate as efficiently and effectively as possible), plus the amount of travel time savings for existing riders, divided by the number of new riders. The resulting value represents the total cost-effectiveness index.

The other index used in the rating system, along with the total index, is the Federal cost-effectiveness index. It includes all the variables of the total index, minus the value of local project contributions.

A mathematical representation of the two indices follows:

$$\text{Total Index} = \frac{\$CAP + \$O\&M + \$TTS}{\text{New Riders}}$$

$$\text{Federal Index} = \frac{\$CAP + \$O\&M + \$TTS - \$LOC}{\text{New Riders}}$$

Where:

= the incremental difference between the preferred alternative and the TSM alternative

$CAP = total capital costs annualized over the life of the project

$O&M = annualized operating and maintenance costs

$TTS = annualized value in dollars of the travel time savings for existing riders

$LOC = annualized value of local, state, and private capital funding

New Riders = annual transit ridership

In order to eliminate projects which are obviously not cost-effective, threshold criteria which indicate maximum acceptable total index values for continuing the planning process have been established. First, to enter Alternatives Analysis, where a range of alternatives are studied prior to selection of a preferred alternative, the index should be less than $10.00 per new rider. This threshold value is based on a generous estimate of average cost of a typical auto work trip, multiplied by a factor of 3 to recognize the presence of indirect transit benefits (social and environmental) as well as the preliminary nature of the cost and ridership estimates. Then, after Alternatives Analysis, when more accurate cost and ridership data is available, and prior to Preliminary Engineering, the index should be less than $6.00 per new rider. Projects with indices above these at the respective stages would not receive Federal approval to continue to pursue the project, unless design or service changes are made which reduce the high level of the index.

The total and Federal indices are not the only measures used to determine whether a project receives Federal support. In addition to quantitative decision inputs are judgmental inputs, particularly among projects with close index values.

Under the UMTA Major Capital Investment Policy, projects compete in terms of cost-effectiveness (total and Federal) and local financial commitment. Projects which have both a low total and Federal cost-effectiveness index are rated highly in one group. Local financial commitment in terms of the stability and reliability of the financial resources to operate and maintain the system once built and other factors (community support, DBE opportunities, etc.) are then used to rank projects within the highly rated group. Projects with an average total cost-effectiveness and high Federal cost-effectiveness would constitute the next group and be ranked as stated above.

The Source of Data

In this report, the rating of the remaining system segments which have not yet been approved for construction by UMTA was based on the best data currently available to UMTA. This data consists of the capital and operating costs (adjusted for inflation) and the patronage projections from the WMATA Alternatives Analysis published in 1978. When more recent data becomes available to UMTA, a revised rating of the segments could be undertaken. Table 3 describes the TSM and rail alternatives as they were designed for the 1978 WMATA Alternatives Analysis study.

The figures in Table 4 indicate values taken directly from the Alternatives Analysis. The capital cost and EUAC values in 1976 dollars from the WMATA Alternatives Analysis were then adjusted for inflation using 8.0 percent annually* to 1984 dollars.

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*This inflation factor was based on average annual inflation rates from 1976 to 1984 for urban Federal-aid highway construction, published in the Federal publication Price Trends for Federal-Aid Highway Construction.

TABLE 3

DESCRIPTION OF TSM AND RAIL ALTERNATIVES MODELED IN THE WMATA ALTERNATIVES ANALYSIS

Corridor	TSM Alternative	Rail Alternative	Significant Differences
Branch	Neighborhood express bus service to Anacostia via busways and I-295.	Neighborhood feeder bus system to metrorail stations.	
	Express bus service from parking lots to Anacostia metrorail station via busways and I-295.	Express bus service from parking lots to Branch metrorail station.	
	Special bus facilities at Suitland Parkway, Anacostia, and I-295 busways, and at Pennsylvania Ave., S. Capitol, and Branch bus lanes.	Special bus facilities at S. Capitol, Branch, and Indian Head Highway bus lanes.	TSM has special bus facilities at 6 locations, while rail alternative has 3.
	Major parking facilities at Naylor and Branch metrorail stations and at Malcolm, Westphalia, and Chatsworth park-ride lots.	Major parking facilities at Southern, Suitland, and Branch metrorail stations, and at Malcolm and Westphalia park-ride lots.	
Greenbelt	Neighborhood feeder bus to metrorail.	Neighborhood feeder bus to metrorail.	
	Express bus service to PEPCO offices.		TSM provides some express bus service while rail alternative does not.
	Major parking facilities at Ft. Totten metrorail station and at PEPCO busway park-ride lot, and at commuter rail lots.	Major parking facilities at Ft. Totten, W. Hyattsville, P.G. Plaza, College Park, and Greenbelt metrorail stations.	
	B & O commuter rail from Baltimore to Union Station via Greenbelt.	B & O commuter rail from Baltimore to Greenbelt.	TSM has commuter rail from Greenbelt to Union Station, while rail alternative does not.
Franconia	Regular bus service on the Shirley Highway.	Regular bus service on the Shirley Highway.	
	Express bus service from parking lots to Pentagon metrorail station.	Express bus service from parking lots to Franconia and Pentagon metrorail stations.	
	Major parking facilities at Franconia, Backlick, Newington, and Kings Park park-ride lots.	Major parking facilities at Backlick, Newington, and Kings Park park-ride lots.	TSM has 4 park-ride lots while rail alternative has 2.

TABLE 4

FOUR WMATA RAIL SEGMENTS: INCREMENTAL RAIL VALUES COMPARED TO THE TSM ALTERNATIVE

	1976 Capital Cost (76$)	1976 Capital Cost (84$)	1990 Operating Cost (90$)	1990 Daily Patronage	1990 Annual Patronage	Total EUAC[4,7] (76$)	Total EUAC[6] (84$)
Anacostia to Branch[1]	$246.9M	$404.9M	$ 1.0M	18,333	5.5M	$18.4M	$30.18M
Columbia Heights to Greenbelt[2]	440.0M	721.6M	0.6M	26,333	7.9M	36.9M	60.52M
Silver Spring to Glenmont[3]	314.0M	515.0M	20.0M	20,000	6.0M	33.0M[5]	18.37M[7]
King Street to Franconia	114.9M	188.4M	15.7M	6,000	1.8M	18.8M	30.83M

[1]Branch alignment in the Alternatives Analysis does not correspond exactly to that recently approved by the WMATA Board.

[2]The Columbia Heights to Greenbelt segment serves as a surogate for the U Street to Greenbelt segment because data presented in the Alternatives Analysis describes the former segment.

[3]The 3.36 mile two station segment from Silver Spring to Wheaton is currently under construction. The 1.77 mile one station segment from Wheaton to Glenmont does not currently have UMTA approval or funding support. Values based on work done by UMTA's technical staff.

[4]Equivalent Uniform Annual Cost.

[5]Estimate based on comparable incremental capital and operating costs per incremental annual trip found in Table 1 of the July 28, 1978 memo to Secretary Adams on "Summary Issue Paper on Washington Metro Financing Issues."

[6]These values have been adjusted for inflation from a 1976 base. The adjustment factor 1.64, or 8 percent annual inflation, was derived from the composite urban index listed in Price Trends for Federal-Aid Highway Construction.

[7]Value for Wheaton to Glenmont only.

Source: Final WMATA Alternatives Analysis, 1978.

Data Reliability

The values in the 1978 WMATA Alternatives Analysis, now a seven year old study, were based on patronage and cost assumptions which have generally not held up over time. Patronage projections were optimistic, and bus capital and operating costs were overestimated and rail costs underestimated. The overall impact of these projections on the cost-effectiveness indices is unclear. Although the error of these projections may affect the accuracy of the cost-effectiveness indices computed from Alternatives Analysis figures, the indices are actually more affected by the differential impacts between the rail and TSM alternatives, since the cost-effectiveness index is based on incremental patronage and costs rather than absolute values.

Differential Impacts

One differential impact was produced by designing all alternatives in a particular corridor to provide equivalent service levels. This means that the number of buses assumed in the non-rail portions of the alternatives were sufficient to carry an equivalent number of passengers as rail, by replicating the frequency of transit service that a rail line would provide. Since this resulted in excess bus capacity for the TSM alternative, TSM capital and operating costs presented in the Alternatives Analysis were overestimated. This causes the incremental costs of constructing and operating a rail line over providing bus service to be lower than would otherwise be the case, increasing the apparent cost-effectiveness of rail. If bus costs were accurately portrayed lower, the indices of the WMATA segments would be higher.

Another differential impact caused by the design of equivalent service levels is the small difference in ridership between alternatives. *The specific alternatives were explicitly designed to achieve equivalent service levels and roughly equal ridership. Therefore, the difference in ridership observed among the alternatives is primarily a measure of how well staff were able to pre-specify reasonable alternatives which could achieve equivalent service levels and roughly comparable ridership.** This means that the incremental increase in rail patronage over the bus alternative is lower than would otherwise be the case, decreasing the apparent cost-effectiveness of rail. If the incremental patronage between the TSM and rail alternatives was accurately portrayed, the indices of the WMATA segments would be lower.

A third differential impact relates to rail capital cost projections. The Alternatives Analysis underestimated rail capital costs compared to current estimates by over 11 to 22 percent (see Appendix B). This causes the capital cost difference between the TSM and rail alternatives to be small, overstating the cost-effectiveness of rail. If rail capital costs were accurately portrayed, the indices of the WMATA segments would be higher.

The remainder of this section discusses patronage and cost assumptions made in the Alternatives Analysis which have not held up over time. Although the uncertainty created by these assumptions impacts patronage and cost projections, they may have a limited impact on the cost-effectiveness indices which are

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*Metrorail Alternatives Analysis Final Report, p. V.41.

based on incremental differences between alternatives and not absolute values, since both the TSM and rail alternatives are similarly affected by these biases.

Patronage

Compared to current projections (319 million annual 1990 trips), the Alternatives Analysis (410 million annual trips) overestimated 1990 patronage boardings for the completed metrorail system by 28%. At least part of this difference can be attributed to changes in forecast socio-economic conditions and policy anticipated changes in system performance.

According to recent projections by the Metropolitan Washington Council of Governments, some socio-economic projections in the Alternatives Analysis Report were overestimated. Population was overestimated by 20 percent and households by 17 percent, while employment projections are comparable. However, the forecast distribution of these parameters assumed in the Alternatives Analysis between the core and inner suburbs of the metropolitan area has not significantly changed (within 3%). The distribution of population and households between the core and the inner suburbs is different by one-half percent, with more people living in the core than anticipated when the Alternatives Analysis study was conducted. This would indicate that the patronage projections in the Alternatives Analysis should be higher. However, the distribution of employment between the core and the inner suburbs is different by 2.2 percent, with more employment in the suburbs than anticipated in the Alternatives Analysis study. This would indicate that the patronage projections in the Alternatives Analysis are too high. These population and employment misprojections are one reason for the high patronage projections in the Alternatives Analysis, since ridership projections assume transit will attract a certain proportion of work and non-work trips from the core and another proportion from the suburbs.

Some system performance measures were also overestimated in the Alternatives Analysis document, contributing to the optimistic patronage projections. Base period headways on some lines are currently longer than projected in the Alternatives Analysis, resulting in fewer trains and longer wait-times than anticipated. The hours of metrorail operation were overestimated by almost 23 percent in the Alternatives Analysis compared to the existing schedule (140 estimated weekly hours versus 114 actual hours, or 26 fewer hours per week). In addition, rail and bus base fares for 1984 were underestimated by 29 percent and 25 to 36 percent respectively, while auto operating costs remained steady in real terms, causing a larger differential between transit fares and auto operating costs than assumed in the Alternatives Analysis. The Alternatives Analysis assumed that rail fares and auto operating costs would increase with inflation at 6.11 percent annually and that bus fares would increase at one-half the rate of inflation. However, annual inflation has averaged 9.7 percent* since 1978, while most transit fare increases (rail base fares and bus off-peak base fares) have exceeded inflation (see Appendix). These overestimates of system performance measures have also contributed to the optimistic Alternatives Analysis patronage projections.

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*According to the Consumer Price Index for Urban Wage Earners and Clerical Workers.

Cost

The 1990 operating costs stated in the Alternatives Analysis for both bus and rail are underestimated. Both rail and bus operating costs are two percent lower than current estimations for 1986 operating costs (see Appendix B). If inflation continues at four percent through 1990, the Alternatives Analysis operating costs would be underestimated by 18 percent. As stated previously, however, since the level of bus service for the TSM alternative was overestimated in the Alternatives Analysis, bus operating costs are overestimated in relation to rail operating costs, overstating the cost-effectiveness of rail.

The overestimation of bus capital costs, caused by the high level of bus service modeled in the TSM alternative, is negligible compared to the underestimation of rail capital costs, which are described under the differential impacts section.

Inputs to the Cost-Effectiveness Index

The cost-effectiveness index was computed from data in the WMATA Alternatives Analysis, with cost estimates adjusted for inflation. The formula used to produce the index is presented on page 15 of this report.

Annual corridor capital and operating costs used to compute the cost-effectiveness index were based on the Equivalent Uniform Annual Cost (EUAC) presented in the WMATA Alternatives Analysis. The Alternatives Analysis Study derived the EUAC for each corridor by discounting the present value of the projected capital construction costs occurring between 1977 and 1990, and the 1990 operating cost, into 1976 dollars. The factors used to produce the EUAC values in 1976 dollars are not available at this time.

The amount of estimated travel time the rail alternative collectively saves existing riders* compared to the bus alternative is an offset to the cost of the project. This means that the benefits of reduced trip time reduces the cost-effectiveness index attributed to a project. The number of existing riders is derived from values in the WMATA Alternative Analysis. The value of travel time savings is quantified into dollars based on an assumed value of time. Travel time savings were derived from values available in the WMATA Alternatives Analysis and the 1974 WMATA document on Traffic, Revenue, and Operating Costs.

The last input into the computation of the cost-effectiveness index is the number of new riders. Like the EUAC, this value is also taken directly from the WMATA Alternatives Analysis. New riders is defined as the number of riders who would only be attracted to transit if the rail alternative was constructed, and is the difference in ridership between the TSM and rail alternatives.

CHAPTER IV
WMATA'S COST-EFFECTIVENESS INDICES

Threshold Criteria

The New Start Rating System relies upon two threshold requirements which a project should satisfy to continue the planning process and be eligible to compete for Federal construction assistance.

The first threshold requirement states that the preferred alternative must produce a gain in ridership compared to the TSM alternative. All four of the WMATA segments under consideration comply with this criterion.

In order to assure a minimum level of cost-effectiveness, the second threshold criterion requires that the total index value of a project should be less than $6.00. The threshold value used in this test is based on a generous estimate of the operating cost, parking cost, and travel time savings for a typical auto commuter who shifts to a guideway transit mode of travel. This cost estimate was multiplied by a factor of two primarily to account for other indirect benefits of transit (social and environmental) which are difficult to quantify. The $6.00 threshold value applies to projects participating in the rating process during 1984, and may change in future years to reflect changes in costs over time due to inflation and other factors.

Table 5 displays the cost-effectiveness indices for the four WMATA segments under consideration. According to the indices computed from values presented in the WMATA Alternatives Analysis, only the Branch segment meets this threshold criterion with an index value of $4.63, while the other three segments -- Greenbelt, Glenmont and Franconia -- fall above the $6.00 maximum threshold level. The Branch values included in this study do not correspond exactly to the alignment recently chosen by the WMATA Board for construction. However, the Branch index value indicated here does provide an approximate idea of the value of the chosen alignment. The Greenbelt segment at $6.56 is only slightly above the threshold and could possibly meet this criterion when updated cost and patronage data are considered. The Glenmont and Franconia-Springfield segments have index values almost three times the threshold, of $17.73 and $17.89 respectively. With such high index values, these two corridors would not be likely to qualify to compete for Section 3 discretionary funds.

TABLE 5

COST-EFFECTIVENESS INDICES FOR THE REMAINING 26 MILES OF THE WASHINGTON METRORAIL SYSTEM

Segment	Total Index (84$)
Anacostia to Branch	$ 4.63
U Street to Greenbelt	6.56
Wheaton to Glenmont	17.73
King Street to Franconia-Springfield	17.89

Notes:

1. The rating system calls for the computation of two indices: the total index and the Federal index. The Federal index is a measure of the cost-effectiveness of the use of Federal funds, while the total index is a measure of the cost-effectiveness of the total project. In this report the Federal indices for the WMATA segments have not been computed due to insufficient information in the 1978 WMATA Alternatives Analysis Report.

2. The source of inputs used to calculate the indices was the 1978 WMATA Alternatives Analysis.

One WMATA segment (Branch) appears to meet all the specified criteria. The other three segments (Greenbelt, Glenmont and Franconia) appear at this time to meet the requirements of the first criterion, while exceeding the maximum index value of $6.00 specified by the second criterion. Greenbelt, which is slightly above the maximum $6.00 requirement, could possibly satisfy this criterion when updated cost and patronage values are used to compute the cost-effectiveness index.

Prospects for Receiving Federal Funds

Based on the data in the WMATA Alternatives Analysis, only the Branch Avenue Corridor of the four WMATA segments which have not yet received UMTA construction approval, meets UMTA's threshold criteria, while the other three are less cost-effective. Therefore, only the Branch Avenue corridor of the four remaining WMATA corridors would be competitive at this time in seeking Section 3 construction funds. Exactly how competitive would depend upon the investment worthiness (cost-effectiveness) of the other competing projects and the funds available. However, it should be noted that the Administration's FY 1986 budget proposal calls for the elimination of the Section 3 discretionary new start program.

CHAPTER V
CONCLUSION

Recommendations

WMATA presently does not need to compete for Federal discretionary capital funds until all the funds available under the Stark-Harris authorization (which supports WMATA's construction program) have been appropriated. Currently, WMATA has been receiving about $250 million annually from this authorization. At the current level, there are sufficient funds available under the Stark-Harris authorization to fund the WMATA program through FY 1989. At that time, unless additional funds are authorized, WMATA will need to compete with other projects for any available Federal discretionary new start funds. It is recommended that WMATA submit updated capital and operating costs, travel time savings, and patronage estimates to UMTA during the first quarter of FY 1988 and/or 1989, in accordance with the Major Capital Investment Policy, so that they may compete with other projects for FY 1989 and/or 1990 funds if they are available.* Since WMATA has been conducting engineering and design for the remaining segments, and one of the products of this effort will be more refined cost and patronage data than results from the earlier 1978 Alternatives Analysis, it is possible that updated WMATA data may result in more favorable indices than the ones presented in this paper.

An important strategy to reduce the values of the Federal indices of the WMATA segments resulting from engineering, would be to increase the local capital share of constructing the rail lines. This would increase the cost-effectiveness of Federal construction funds, one of the factors used to determine which projects receive Federal assistance. WMATA could also pursue other local strategies for advancing the corridor projects in accordance with UMTA's policy so that they would be in the best

*It should be noted that the Administration has proposed, as a part of its FY 1987 budget submission to Congress, to eliminate discretionary new start funds starting in FY 1987.

competitive position possible relative to other competing projects.

Conclusions

Although uncertainty is inherent in the values derived from the 1978 WMATA Alternatives Analysis, these are the best numbers available to UMTA at this time. The Alternatives Analysis resulted in a proposed 101-mile system. WMATA has now adopted a 103-mile system by adding about 1.5 miles and one station to the F Route, or Green Line from Anacostia to Branch Avenue. This change will result in an increased cost of nearly $100 million, but is estimated to produce 4,000 more daily riders. It should be noted that WMATA did not select another less costly alternative. The Suitland Parkway alternative cost $130 million less than their preferred F route alignment of Naylor with Southern and carries almost the same number of daily riders. These factors will affect the cost-effectiveness index of the alternatives for the route.

When WMATA has an opportunity to submit updated values for capital and operating costs, travel time savings, and patronage, the results of this report can be re-evaluated. However, based on the indices developed from the WMATA Alternatives Analysis, one of the four remaining WMATA segments (Branch) which have not yet received UMTA construction approval or funding support, meets UMTA's threshold criteria, while the other three segments (Greenbelt, Glenmont and Franconia) are less cost-effective. Therefore, only the Branch corridor of the four remaining WMATA corridors would be competitive at this time in seeking Section 3 construction funds. Exactly how competitive would depend upon the investment worthiness (cost-effectiveness) of the other competing projects and the funds available. The determination of which projects receive funds is not solely based on the rating criteria, but also on judgmental factors. The rating system is an aid to help UMTA officials, Congress and others objectively judge new start projects. In any event, before any decisions could be made, WMATA should prepare cost-effectiveness indices for each project based on current data, which would be comparable with the data developed by other competing cities.

ANNOTATED BIBLIOGRAPHY

Documents

1. Market Facts, Inc., Public Attitudes Toward Public Transportation and Funding Issues in the Washington Metropolitan Area, prepared for Federal City Council, December 9, 1983.

   It includes:

   - The results of a telephone survey on attitudes towards transportation and its funding
   - Survey methodology

2. Metropolitan Washington Council of Governments, Travel Findings Report Update: Changes in Travel Behavior, September, 1983.

   It includes:

   - Ridership characteristics by operating phase

- o Changes in total transit travel
- o Changes in travel to the CBD

3. Peat, Marwick, Mitchell and Co., Draft FY80 Net Income Analysis Final Report, prepared for Washington Metropolitan Area Transit Authority, June 1981.

   It includes:

   - o Annual projections from FY82 - FY90 of metrobus and metrorail patronage.
   - o Service requirements (vehicles, vehicle miles)
   - o Revenues (metrobus and metrorail; farebox and non-farebox)
   - o Operating costs, metrobus and metrorail (by year and jurisdiction)
   - o Data by year for total bus and total rail operations (doesn't give breakdowns by line)

4. Peat, Marwick, Mitchell and Co., Metrorail Alternatives Analysis: E Route (Draft Summary Report), prepared for Metropolitan Washington Council of Governments, October 14, 1977.

   It includes:

   - o Evaluation of alternative corridor alignments in terms of capital costs; operating costs; deficits; patronage; energy and environmental impacts; and other cost-effectiveness measures

5. Peat, Marwick, Mitchell and Co., Metrorail Alternatives Analysis: F Route (Draft Summary Report), prepared for Metropolitan Washington Council of Governments, October 14, 1977.

   It includes:

   - o Evaluation of alternative corridor alignments in terms of capital costs; operating costs; deficits; patronage; energy and environmental impacts; and other cost-effectiveness measures

6. Peat, Marwick, Mitchell and Co., Metrorial Alternatives Analysis: J-H Routes (Draft Summary Report), prepared for Metropolitan Washington Council of Governments, October 14, 1977.

   It includes:

   - o Evaluation of alternative corridor alignments in terms of capital costs; operating costs; deficits; patronage; energy and environmental impacts; and other cost-effectiveness measures

7. Peat, Marwick, Mitchell and Co., Metrorail Alternatives Analysis: E Route, (Draft Technical Report), prepared for Metropolitan Washington Council of Governments, October 14, 1977.

It includes:

- o More detailed figures for cost, patronage, and other impacts than the corridor Draft Summary Report.

8. Peat, Marwick, Mitchell and Co., Metrorail Alternatives Analysis: F Route, (Draft Technical Report), prepared for Metropolitan Washington Council of Governments, October 14, 1977.

It includes:

- o More detailed figures for cost, patronage, and other impacts than the corridor Draft Summary Report.

9. Peat, Marwick, Mitchell and Co., Metrorail Alternatives Analysis: J-H Route, (Draft Technical Report), prepared for Metropolitan Washington Council of Governments, October 14, 1977.

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- o More detailed figures for cost, patronage, and other impacts than the corridor Draft Summary Report.

10. Peat, Marwick, Mitchell and Co., Metrorail Alternatives Analysis, Final Report, prepared for Metropolitan Washington Council of Governments, August 1978.

It includes:

- o Final results of the WMATA alternatives analysis process
- o The basis for choosing the preferred regional system
- o Evaluation of alternative regional metrorail systems in terms of capital costs; operating costs; deficits; patronage; energy and environmental impacts; development, community and traffic impacts; and other cost-effectiveness measures

11. U.S. Government Accounting Office, Final Report on Metrorail, Jan. 12, 1983.

The GAO Report's conclusions were:

- o Federal savings could result from full-funding contracts.
- o Better use of scarce funds can be achieved through a revised metrorail construction plan: fewer segments at a time so that some segments can be opened sooner for service.
- o Periodic evaluations by UMTA of local funding sources.
- o UMTA needed to provide additional guidance on acceptable local funding sources.

12. Voorhees, Alan M. & Associates, Inc., Metro-Traffic, Revenue, and Operating Cost, prepared for Washington Metropolitan Area Transit Authority, November 1974.

It includes:

- Purpose: update prior forecasts of revenue, costs and deficits
- Revenue under different fare structures
- Projected 1990 land use activity
- Annualized patronage, revenue, bus operating requirements, and operating costs for the entire system by phase through 2020 (p.50)
- Access and egress trips by mode
- No data by metrorail line

13. Washington Metropolitan Area Transit Authority, Arlie Twentieth Conference Background Papers, Jan. 5-6, 1984.

- It highlights the past year's major events.

14. Washington Metropolitan Area Transit Authority, Consolidated Semi-Annual Progress Report, No. 3, June 1983.

It includes:

- Metrorail construction activities and accomplishments
- Discusses current and anticipated problems and their impact on costs, schedules, and grants
- Status of UMTA grants and other sources of funding

Letters

15. Letter from Richard Page, UMTA Administrator, to Francis Francois, Chairman of the Joint Policy Steering Committee of the Metrorail Alternatives, Sept. 19, 1978.

It states that:

- The Department agrees with the goal for a 100 mile system.
- Construction should be undertaken in revenue-producing segments that are contiguous to already funded segments.
- UMTA approves the 100 mile system provided that construction can be financed through available interstate highway entitlements available to the Washington, D.C. metropolitan area.
- The DOT Secretary has stated that the Department will not require further analysis of the recommended 100-mile system.
- This letter indicates that the WMATA Alternatives Analysis is completed and the 101 mile system

approved. However, it states that WMATA is allowed to use local interstate highway funds for construction, and then compete with other projects for additional Section 3 funding needed to complete the system.

Congressional Acts/Guidance/Hearings

16. 1980 Stark-Harris Act (PL96-184)

The Act:

- o Authorized construction funds for Metrorail in the amount of $1.7 billion.
- o Required local governments to establish a "stable and reliable" source of revenue for WMATA operating and debt service costs. Funding authorized by the Act was contingent on having sources in place by Aug. 15, 1982. On Aug. 13, 1982, the DOT Secretary notified Congress that such sources of revenue had been established.
- o Authorized enough funding to complete the 101-mile system according to cost estimates at the time. Now the amount authorized will only fund approximately 89 of the 101 miles.

17. 1983 Congressional Hearings

18. "Ralph Stanley's Statement" at the WMATA Hearings, March 20, 1984.

It includes:

- o History of Federal funding support for the WMATA metrorail system
- o Future funding required to complete the system

19. "Senate Report Guidance" on New Start Policy and request for this report, SR98-179.

APPENDICES

APPENDIX A: SENATE REPORT GUIDANCE (SR98-179) REQUEST FOR THIS REPORT

APPENDIX B: DIFFERENCES BETWEEN 1978 ALTERNATIVES ANALYSIS PROJECTIONS AND LATER PROJECTIONS OR EXISTING CONDITIONS

APPENDIX C: TECHNICAL MEMO ON HOW THE COST-EFFECTIVENESS INDEX WAS CALCULATED FOR THE FOUR REMAININING UNAPPROVED WMATA SEGMENTS (LAST 26 MILES)

APPENDIX A

SENATE REPORT GUIDANCE (SR98-179) REQUEST FOR THIS REPORT

EXCERPT FROM SENATE REPORT NO. 98-179 DOT FY 1984 APPROPRIATIONS-UMTA

WASHINGTON METRO

The Committee requests a report from UMTA analyzing the prospects for completion of the final 25 miles of the 101-mile system under criteria outlined under "new starts."

APPENDIX B

DIFFERENCES BETWEEN 1978 ALTERNATIVES ANALYSIS PROJECTIONS AND LATER PROJECTIONS OR EXISTING CONDITIONS

TABLE B-1

DIFFERENCES BETWEEN THE 1978 WMATA ALTERNATIVES ANALYSIS AND CURRENT PATRONAGE PROJECTIONS

1. a. Current COG/TPB patronage projections (rail and bus) for 1990 from the 1980 WMATA Net Income Analysis published in October 1984, are 1,063,600 daily trips.

   b. The AA patronage projections (rail and bus) for 1990 are 409,630,000 annual trips.

   c. Assuming weekday patronage is approximately 1/300 of annual trips, the COG/TPB annual patronage estimate would equal 319,080,000 annual trips.

   d. Therefore, AA patronage projections (rail and bus) for 1990 overestimate current patronage projections for 1990 by 28.4%.

Note: AA = WMATA Alternatives Analysis

TABLE B-2

DIFFERENCES BETWEEN THE 1978 AND 1984 SOCIO-ECONOMIC PROJECTIONS FOR THE YEAR 1990*

1. The 1978 population forecasts (3.6 million) overestimate the 1984 population forecasts (3.0 million) by 20%.

2. The 1978 household forecasts (1.4 million) overestimate the 1984 household forecasts (1.2 million) by 17%.

3. The 1978 employment forecasts (2.0 million) is comparable to the 1984 employment forecasts (2.0 million).

4. The 1978 and 1984 population distributions between the core (+0.6%) and inner suburbs (-0.6%) are comparable, but what little changes have occured favor transit.

5. The 1978 and 1984 household distributions between the core (+0.5%) and inner suburbs (-0.5%) are comparable, but what little changes have occured favor transit

6. The 1978 and 1984 employment distributions between the core (-2.2%) and inner suburbs (+2.2%) are comparable, but what little changes have occurred favor auto use.

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*The Metropolitan Washington Council of Government's (COG) Round I forecasts, which were published in 1976, were the projections used in the 1978 Alternatives Analysis. COG's Round III forecasts, which were published in 1984, are the current projections for the Washington metropolitan area.

TABLE B-3

DIFFERENCES BETWEEN SYSTEM PERFORMANCE PROJECTIONS IN THE 1978 WMATA ALTERNATIVES ANALYSIS AND EXISTING (1984) OPERATIONAL CONDITIONS

1. Existing (1984) rail speeds and those shown in the 1974 Traffic, Revenue, and Operating Costs Document are comparable. The average speed weighted by distance for the Friendship Heights to Rockville stations on the Red Line and the Metro Center to New Carrolton stations on the Orange Line is 33 MPH for both the 1974 projection and 1984 operation.

2. The 1978 AA (4 minutes) and the 1984 (3-6 minutes) peak period headways are comparable.

3. The 1978 AA base period headways (6-10 minutes) are shorter on some lines than 1984 base period headways (6-12 minutes).

4. The 1978 AA peak hours of operation (Monday to Friday: 7:00-9:00 AM; 4:30-6:30 PM) underestimate 1984 peak hours of operation (Monday to Friday: 6:30-9:00 AM; 3:00-6:30 PM) by two hours per day (33%).

5. The 1978 AA base hours of operation (Monday to Friday: 5:00-7:00 AM; 9:00 AM-4:30 PM; 6:30 PM-1:00 AM; Saturday: 5:00 AM-1:00 AM; Sunday: 5:00 AM-1:00 AM) overestimate 1984 base hours of operation (Monday to Friday: 6:00-6:30 AM; 9:00 AM-3:00 PM; 6:30 PM-Midnight; Saturday: 8:00 AM-Midnight; Sunday: 10:00 AM-6:00 PM) by 36 hours per week (43%).

6. The 1978 AA rail base fare with 6.11% assumed inflation per year ($0.40 in 78$; $0.57 in 84$) underestimates 1984 rail base fare ($0.80) by 29%.

7. The 1978 AA bus peak base fare with 3.055% assumed inflation per year ($0.50 in 78$; $0.60 in 84$) underestimates 1984 bus peak base fare ($0.80) by 25%.

8. The 1978 AA bus off-peak base fare with 3.055% assumed inflation per year ($0.40 in 78$; $0.48 in 84$) underestimates 1984 bus off-peak base fare ($0.75) by 36%.

9. The 1978 AA assumed metrorail station parking charges and existing (1984) parking policies are comparable for the stations comprising the last 26 miles of the system. The 1978 AA projected parking at most stations to be $1 per day. The exceptions are: Fort Totten at $2 per day; and College Park, Prince Georges Plaza, West Hyattsville, and Naylor Road at $1.50 per day. Existing policy dictates $1.00 to $1.50 per day for parking at metrorail stations depending on the location of the station.

10. The 1978 AA assumed that midday parking would cost one-half of all day parking, or $0.50 at most lots, and would use kiss/ride parking spaces. It was also assumed that midday parking would turnover twice daily. However, today midday parking could be free in the park/ride lots, depending on the station and the time of day, since attendants collect parking fees for only a few hours each day at each station. Also, kiss/ride lots are not used for midday parking.

11. The 1978 AA estimate of average downtown auto parking costs per day adjusted for 6.11% assumed inflation per year is comparable to existing (1984) parking costs of approximately $5.27 per day with a monthly contract.

Note: AA = WMATA Alternatives Analysis

TABLE B-4

DIFFERENCES BETWEEN 1990 OPERATING COST PROJECTIONS IN THE 1978 WMATA ALTERNATIVES ANALYSIS AND RECENT PROJECTIONS

1. The 1978 AA bus operating cost per mile for 1990 ($4.69) is 2% lower than the projected 1986 operating cost per mile in the FY85 WMATA Budget ($4.77).

2. The 1978 AA rail operating cost per mile for 1990 ($6.08) is 2% lower than the projected 1986 operating cost per mile in the FY85 WMATA Budget ($6.18).

3. If inflation continues at 4% per year through 1990, the 1978 AA bus and rail operating costs will have underestimated 1990 bus and rail operating costs by 18%.

Note: AA = WMATA Alternatives Analysis

TABLE B-5

DIFFERENCES BETWEEN CAPITAL COST PROJECTIONS IN THE 1978 WMATA ALTERNATIVES ANALYSIS AND CURRENT PROJECTIONS

1. The 1978 AA rail capital cost estimate ($5.7 billion in $77 dollars or $8.6 billion in $84) underestimates current rail capital cost estimates ($9.7 to $11 billion in $84) by over 11 to 22%.

Note: AA = WMATA Alternatives Analysis

APPENDIX C

TECHNICAL MEMO ON HOW THE COST-EFFECTIVENESS INDEX WAS CALCULATED FOR THE FOUR REMAINING UNAPPROVED WMATA SEGMENTS (LAST 26 MILES)

This memo describes the data sources and the rationale behind assumptions used in calculating the cost-effectiveness indices for the four remaining unapproved WMATA segments:

- the Anacostia station in the District to the Branch station in Prince Georges County (Green Line),
- the U Street station in the District to the Greenbelt station in Prince Georges County (Green Line),
- the Wheaton to Glenmont stations in Montgomery County (Red Line), and
- the King Street station in Alexandria to the Franconia-Springfield station in Fairfax County (Yellow Line).

Data available from WMATA documents, particularly the 1978 WMATA Alternatives Analysis Final Report, the 1978 Alternatives Analysis Corridor Technical Reports, and the 1974 document on Traffic, Revenue, and Operating Costs, were the main sources of information.

The cost-effectiveness computation requires four inputs: annualized capital cost, annualized operating cost, travel time savings to existing transit riders (those who would travel by transit whether the TSM or rail alternative was implemented), and new riders attracted to the rail alternative (who would not take transit under the TSM alternative). Except for travel time savings, the other three inputs to the index were taken directly from published WMATA documents, and adjusted for inflation into 1984 dollars. Table C-1 presents the incremental values of the

TABLE C-1

FOUR WMATA RAIL SEGMENTS: INCREMENTAL RAIL VALUES COMPARED TO THE TSM ALTERNATIVE

	1976 Capital Cost (76$)	1976 Capital Cost (84$)	1990 Operating Cost (90$)	1990 Daily Patronage	1990 Annual Patronage	Total EUAC[4] (76$)	Total EUAC[6] (84$)
Anacostia to Branch[1]	$246.9M	$404.9M	$ 1.0M	18,333	5.5M	$18.4M	$30.18M
Columbia Heights to Greenbelt[2]	440.0M	721.6M	0.6M	26,333	7.9M	36.9M	60.52M
Silver Spring to Glenmont[3]	314.0M	515.0M	20.0M	20,000	6.0M	33.0M[5]	18.37M[7]
King Street to Franconia	114.9M	188.4M	15.7M	6,000	1.8M	18.8M	30.83M

[1]Branch alignment in the Alternatives Analysis does not correspond exactly to that recently approved by the WMATA Board.

[2]The Columbia Heights to Greenbelt segment serves as a surogate for the U Street to Greenbelt segment because data presented in the Alternatives Analysis describes the former segment.

[3]The 3.36 mile two station segment from Silver Spring to Wheaton is currently under construction. The 1.77 mile one station segment from Wheaton to Glenmont does not currently have UMTA approval or funding support. Values based on work done by UMTA's technical staff.

[4]Equivalent Uniform Annual Cost.

[5]Estimate based on comparable incremental capital and operating costs per incremental annual trip found in Table 1 of the July 28, 1978 memo to Secretary Adams on "Summary Issue Paper on Washington Metro Financing Issues."

[6]These values have been adjusted for inflation from a 1976 base. The adjustment factor 1.64, or 8 percent annual inflation, was derived from the composite urban index listed in Price Trends for Federal-Aid Highway Construction.

[7]Value for Wheaton to Glenmont only.

Source: Final WMATA Alternatives Analysis, 1978.

rail alternative over the TSM alternative for capital and operating costs, patronage, and the total equivalent uniform annual cost (EUAC), which is the annualised capital and operating costs combined, taken from the 1978 WMATA Alternatives Analysis.

The EUAC is a combined annualized value for capital and operating costs. To produce the EUAC, WMATA calculated the net present value (NPV) of capital costs between 1977 and 1990 (the proposed first year of operation) and the operating cost for 1990, and then discounted them back into 1976 dollars. WMATA calculated net present value using the following equation:

$$NPV = \sum_{y=1}^{14} \left[\frac{F_{y/2}}{1+d^{y-1}} \right] + \left[\frac{F_{y/2}}{1+d^{y-1/2}} \right]$$

Where:

y = year
F_y = net cash flow in year y
d = discount rate with inflation

Then the EUAC was calculated using the equation:

$$EUAC = \frac{NPV}{\frac{(1+d)^{n-1.5} - 1}{d(1+d)^{n-1.5}} + \frac{1}{r(1+d)^{n-.5}}}$$

Where:

NPV = net present value
d = discount rate with inflation
n = number of years projected
r = discount rate without inflation

The annual value of travel time savings in dollars for existing riders (those who would travel by bus under the TSM alternative) is based on available information to the extent possible. The remainder of this memo will explain each step in the derivation of travel time savings for the four WMATA corridors.

Table C-2 displays 1990 transit patronage under the rail and TSM alternatives for each corridor. Total patronage for the rail alternatives was taken directly from the 1978 WMATA Alternatives Analysis Corridor Technical Reports. The values for new riders under the rail alternatives were taken directly from the 1978 WMATA Alternatives Analysis Final Report. Total patronage under the TSM alternative (existing riders) was derived from the subtraction of new riders from total rail alternative patronage.

Table C-3 shows the amount of time it would take to travel the corridor from the vicinity of each rail station to the TSM rail terminus via both bus and rail. Road distances used to determine bus times were derived from Washington-area street maps based on an assumed bus route. The average bus speed assumed for each corridor is also presented in Table C-3.

The approximate rail times listed in Table C-3 are taken directly from WMATA's 1974 Traffic, Revenue, and Operating Costs Report, and then adjusted to include a 30-second dwell time at each rail station. However, dwell time is not included for the rail alternative terminus stations nor the TSM alternative rail terminus stations.*

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*Rail Alternative Terminus Stations: Greenbelt, Branch/Rosecroft, Franconia, and Glenmont.
TSM Alternative Rail Terminus Stations: U Street (Columbia Heights), Anacostia, King Street, and Wheaton.

TABLE C-2

1990 PATRONAGE UNDER THE RAIL AND TSM ALTERNATIVES BY CORRIDOR

	Total 1990 Patronage Under the Rail Alternative[1] (Million)	Total 1990 Patronage Under The TSM Alternative (Million)	New Riders In 1990 Under The Rail Alternative[2] (Million)
Greenbelt	40.043	32.142	7.900
Branch	24.468	18.968	5.500
Franconia	6.088	4.288	1.800
Glenmont	3.000[3]	2.000[3]	1.000[3]

[1]Source: WMATA Alternatives Analysis Corridor Technical Reports, 1978.

[2]Source: WMATA Alternatives Analysis Final Report, 1978.

[3]Non-WMATA Estimates

TABLE C-3

RAIL AND BUS TIMES FOR THE UNAPPROVED WMATA SEGMENTS

	TSM ALTERNATIVE			RAIL ALTERNATIVE	
	Bus Distance To Rail (Miles)	Average Bus Speed (MPH)	Bus Time Per Trip (Min.)	Rail Time Per Trip[5] (Min.)	Travel Time Savings Per Trip (Min.)
Greenbelt Corridor Stations					
Georgia Avenue	0.6	15	2.40	1.85	0.55
Ft. Totten	N/A	N/A	N/A	N/A	N/A
W. Hyattsville	2.4[2]	15	9.60	6.95	2.65
P.G. Plaza	3.6[2]	15	14.40	9.75	4.65
College Park	5.4[2]	15	21.60	15.02	6.58
Greenbelt	8.7[2]	15	34.80	15.45	19.35
Branch Corridor Stations[1]					
Alabama	2.1	25	5.04	1.85	3.19
Naylor	3.3	25	7.92	3.43	4.49
Suitland	5.1	25	12.24	6.30	5.94
Branch	5.7	25	13.68	8.67	5.01
Franconia Corridor Stations					
Van Dorn	7.2[3]	40	10.8	17.35[4]	-6.55[6]
Franconia	10.8[3]	40	16.2	21.18[4]	-4.98[6]
Glenmont Corridor Stations					
Glenmont	2.1	15	8.40	2.33	6.07

[1]Branch alignment in the Alternatives Analysis does not correspond exactly to that recently approved by the WMATA Board.

[2]To Ft. Totten Station on the Red Line.

[3]To Pentagon Station via Shirley Highway.

[4]Rail Time includes travel between Pentagon to Van Dorn or Franconia via rail.

[5]Source: WMATA Traffic, Revenue, and Operating Costs, 1974.

[6]Travel time loss.

These times assume that bus and rail passengers would utilize the most direct transit available. Under the TSM alternative, transit patrons residing in the Greenbelt Corridor north of the existing Ft. Totten Red Line station who would use the Greenbelt, College Park, Prince Georges Plaza, and W. Hyattsville, and Ft. Totten Green Line rail stations once they opened, are assumed to ride the bus to the Red Line Ft. Totten station, the nearest rail station, rather than continue further south to the U Street (or Columbia Heights) station, the rail terminus of the Greenbelt Corridor under the TSM Alternative. Although the U Street station is the TSM Rail Terminus for the Greenbelt Corridor, the values used to derive the cost-effectiveness index are based on the terminus being at Columbia Heights, the station directly north of U street, since the WMATA Alternatives Analysis Final Report provides values for the Columbia Heights to Greenbelt segment.

The bus and rail times for the Franconia Corridor include travel time to the Pentagon in order to have a consistent destination for comparison purposes. Under the TSM alternative, bus patrons boarding along the Franconia corridor are assumed to travel along Shirley Highway to the Pentagon.

Table C-4 shows the annual travel time savings for each of the four segments. It is based on the number of existing bus trip boardings and alightings* from each planned rail station (those who would travel by bus under the TSM alternative),

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*The number of total rail alternative boardings was taken directly from the 1974 Traffic, Revenue, and Operating Costs Report and doubled to account for both boardings and alightings.

TABLE C-4

ANNUAL TRAVEL TIME SAVINGS BY CORRIDOR

Stations	No. of Existing Bus Trips (Millions)	Travel Time Savings Per Trip[1] (84$)	Annual Travel Time Savings (Millions in 84$)
	BRANCH CORRIDOR[2]		
Alabama	5.124	0.17	0.871
Naylor	3.338	0.24	0.801
Suitland	4.716	0.32	1.509
Branch	5.790	0.27	1.563
CORRIDOR TOTAL	18.968	--	4.744
	GREENBELT CORRIDOR		
Georgia Ave.	8.682	0.03	0.260
Ft. Totten	5.776	N/A	N/A
W. Hyattsville	4.086	0.14	0.572
P.G. Plaza	6.042	0.25	1.511
College Park	2.104	0.35	0.736
Greenbelt	5.452	1.03	5.616
CORRIDOR TOTAL	32.142	--	8.695
	GLENMONT CORRIDOR		
Glenmont	2.000	0.32	0.64
CORRIDOR TOTAL	2.000	--	0.64
	FRANCONIA CORRIDOR		
Van Dorn	1.858	-0.35[3]	-0.650
Franconia	2.430	-0.27[3]	-0.656
CORRIDOR TOTAL	4.288	--	-1.306

[1]Value of time assumed to average $3.20 (60% work trips; 40% non-work trips).
[2]Branch alignment in the Alternatives Analysis does not correspond exactly to that recently approved by the WMATA Board.
[3]Travel time loss.

multiplied by the monetary value of the travel time savings experienced by each existing passenger trip. It is assumed that the ratio of total transit trips under the TSM alternative (existing trips) to total transit trips under the rail alternative is the same as the ratio between the alternatives at each station. The monetary value of the travel time savings experienced by passengers is based on the average assumed hourly value of time of $3.20 (60% work trips at a $4.00 value of time plus 40 percent non-work trips with a $2.00 value of time). These assumed values of time are identical to those assumed by UMTA in their FY 1984 rating of cost-effectiveness indices for other projects.

The formula used to calculate the cost-effectiveness indices follows:

$$\text{Index} = \frac{\Delta\text{EUAC} - \Delta\text{TTS}}{\Delta\text{R}}$$

Δ = Incremental difference between the rail and TSM alternatives

EUAC = Equivalent Uniform Annual Cost in 1984 dollars

TTS = Travel time savings in 1984 dollars

R = New riders who would not take transit under the TSM alternative

The EUAC value for the total cost-effectiveness index represents all capital and operating costs regardless of the source. The numerical equations used to calculate the indices for each of the four WMATA corridors are specified in Table C-5. The results of the computations are also displayed in Table C-5.

TABLE C-5

COST-EFFECTIVENESS INDICES FOR THE FOUR REMAINING WMATA CORRIDORS

Corridor	Total Cost-Effectiveness Index Equation $\frac{\Delta \text{Total EUAC} - \Delta \text{TTS}}{\Delta R}$	Total Index Value (84$)
Branch	$\frac{30.18 - 4.72}{5.5}$	4.63
Greenbelt	$\frac{60.52 - 8.70}{7.9}$	6.56
Glenmont	$\frac{18.37 - .64}{1.0}$	17.73
Franconia	$\frac{30.83 - (-)1.38}{1.8}$	17.89

Note:

Δ = Incremental difference between the rail and TSM alternatives

EUAC = Equivalent Uniform Annual Cost in 1984 dollars

TTS = Travel Time Savings in 1984 dollars

R = New riders who would not take transit under the TSM alternative

Since the Glenmont Corridor was not included in the 1978 WMATA Alternatives Analysis, another methodology was used to calculate the cost, ridership, and travel time savings values used in the computation of its cost-effectiveness index. The EUAC is based on the EUAC value for the Silver Spring to Glenmont segment derived by UMTA's Office of Technical Assistance and described in the July 28, 1978 "Summary Issue Paper on Washington Metro Financing Issues." Since the Wheaton to Glenmont portion of the segment comprises 34 percent of the segment's entire distance, and one of its three stations, it is assumed that 34 percent of the $33M (76$) EUAC for the Silver Spring to Glenmont segment, or an EUAC of $11.2M (76$), pertains to the section between Wheaton and Glenmont. The $11.2M (76$) EUAC value adjusted for inflation equals $18.37M (84$).

Another assumption concerns the distribution of new and existing riders throughout the Silver Spring to Glenmont Corridor. In the "Summary Issue Paper on Washington Metro Financing Issues," 6 million new riders were attributed to the Silver Spring to Glenmont Corridor. It is assumed that 1 million of these would be new system riders attracted to the Glenmont station after it opens. Another 2 million could be classified as existing riders under the Glenmont rail alternative, since they would travel by bus to access the Wheaton station prior to Glenmont's opening, but would access at Glenmont afterwards. Table C-6 displays the assumed distribution of new riders for this corridor.

TABLE C-6

DISTRIBUTION OF NEW RIDERS IN THE GLENMONT CORRIDOR

Rail Station	Distribution of New Riders Accessing the Stations in the Silver Spring to Glenmont Corridor	Distribution of These 6 Million New Riders When Glenmont Station Opens
Forest Hills	1.5M	1.5M
Wheaton	3.5M	1.5M
Glenmont	1.0M	3.0M**
TOTAL	6.0M*	6.0M*

*According to "Summary Issue Paper on Washington Metro Financing Issues," July 28, 1978.

**Types of passengers accessing the Glenmont Station:
1.0M new riders
2.0M existing (former) riders who switched from bus to rail between Wheaton and Glenmont.

COST EFFECTS OF ADMINISTRATION'S BUDGET REQUEST

Senator LAUTENBERG. Ms. Turner, what would be the cost effects of approving the $128 million requested by the administration versus WMATA's $221.7 million request?

Ms. TURNER. If the appropriation is at the administration's level, we have a very serious problem, Mr. Chairman. As I have indicated, I think I have identified the major components of this appropriation request.

I do not believe that we can continue to build a system without the additional cars to operate the system. I believe that what we will end up with is construction all the way to Greenbelt and construction in the inner city, but find ourselves with inadequate cars to operate it.

In addition to that, I believe that we will find ourselves, once again, playing catchup, spending additional money because we will lose the momentum of the construction program. We have been very successful. Part of the reason that the bids have been coming in lower than projected is that we have established a good reputation in the construction community. We want to hold this team together. We want to build this system. We want to complete the adopted regional system.

And I go back to the whole question of whether or not Washington is a favorite, or has been selected out to be treated differently. If that is true, it was done 25 years ago and we have embarked on a project that is almost complete. We have the final 13 miles of an adopted regional system to build. And I think that is somewhat different than the New Start Program that we are talking about today.

If you go back and look at the history of Washington Metro, I think what you will find is that part of the initiative to build this system came from the federal government.

This agreement between the local jurisdictions and the federal government to build an adopted regional system, all of which was approved by the Congress, is what we are considering. And so now to find ourselves with the last 13 miles to build, and being measured by a set of criteria that were developed some 10 years after we all agreed to proceed is a very difficult position for us to be in.

CONSTRUCTION SEQUENCE

Senator LAUTENBERG. For my information, the system had a modularity factored into its design that would permit it to operate effectively and efficiently in its various modules, 70 miles first, and then is it 89?

Mr. DELLIBOVI. 89.

Senator LAUTENBERG. You do not agree with that?

Ms. TURNER. No, sir; in fact, those mileage limitations were somewhat arbitrary. If you look at what that does to the system, you would see that you simply could not operate the system efficiently, in a cost-effective manner, if indeed we limited it to 70 miles, or to 74.5 miles, or to 89 miles.

This is a regional system. Its service and inspection yards, and its maintenance facilities are strategically placed in the system. So we have

to move beyond the construction issue to the operational issue. And that indeed is what we are all about.

If we do not build a system that can be operated in a cost-effective way, and maintained in a cost-effective way, then in the long run, it is going to cost us a lot more than it costs to build and complete it now.

TRANSPORTATION APPROPRIATIONS

Senator LAUTENBERG. Senator Mikulski wanted to ask some questions. I would like to give her that courtesy. She is a staunch fighter for WMATA and for mass transit and for getting access to jobs for people who can effectively use mass transit. So, I would like to ask Senator Mikulski if she wants to ask her questions at this time and invite her to do so.

STATEMENT OF HON. BARBARA MIKULSKI, U.S. SENATOR FROM MARYLAND

Senator MIKULSKI. Thank you, Mr. Chairman. I will be brief. I know that we are all anxious to go and hear Prime Minister Mulrooney who is appearing before a joint session.

Before I ask our panelists questions, I would like to thank you for your leadership in the Transportation Subcommittee. And you essentially preside over something called Function 400, which has probably one of the largest capital budgets that we must fund. I think you have shown deft skill in dealing with mass transit, the Amtrak issue and how to balance all of that out and meet the Coast Guard's needs. And we thank you for the subways running and the drug smugglers on the run; I think you have done a great job on both.

When we go for those 302(b) allocations, even though we do not have a national football team in Baltimore, I will be ready to be one of your linebackers in the struggle.

Senator LAUTENBERG. Win a baseball game! [Laughter.]

Senator MIKULSKI. Notice that I was metaphorically optimistic. [Laughter.]

First I would like to thank our panelists for appearing. Mr. DelliBovi, I wanted to ask some questions about the budget as the administration has proposed it.

EXTENSION VERSUS RAILCARS

Many of my questions have been asked by Chairman Lautenberg, but, as I understand it, Ms. Turner has made a request of $222 million, and you are suggesting a fiscal year 1989 request for $128 million. This is no small piece of change, I might add, from the administration.

As I understand it, the difference seems to be in that request for the railroad cars you are talking about, Ms. Turner. As I understand, Mr. DelliBovi, in your March 3 letter to Ms. Turner said, "Metro should only buy more cars after they have built the 103-mile system."

Now, we can not have it both ways. You can not tell us to complete the system and go the 103 miles and then say you are not really for that; but then you say you are not really for the Metro cars unless we

complete the system. Could you tell us where you stand on that, just so I am clear?

Mr. DELLIBOVI. Sure. As I indicated earlier, Metro has a windfall of $94.3 million resulting from the fact that construction contracts have been coming in at levels lower than estimated. Take that, together with the contracts that are about to be let and the additional 18 cars that I have already approved, and you are looking at a surplus.

They have a choice whether to go beyond the 89.5-mile system they now have funds for in Stark-Harris, or to buy more cars than they told us originally they would need for the system. I believe they have to make a choice. Do they want to buy more cars, or do they want to move on ahead within the Stark-Harris authorization to go beyond the 89.5-mile system.

As you know, Senator, the administration's position has been that we would oppose an extension of Stark-Harris and thus anything I am able to talk about is within the framework of Stark-Harris and what they can do with those funds.

So they can either build more extensions, and we have identified one into Virginia and another one into Maryland as extensions that could be bought with that money; or they can buy more cars.

FUNDING AVAILABILITY

Senator MIKULSKI. Ms. Turner, first of all, we hear about this $94 million so-called windfall. My questions are: No. 1, will that be actually cold cash in hand; and No. 2, I do not exactly call it a windfall as it sounds like it dropped down. I call it a good guy bonus for effective management, contractor confidence, scandal-free, which I might further say in this region is not only refreshing, but that in and of itself is a windfall.

I wonder where we are? Would that $94 million be actual cash that you have as a fund to spend?

Ms. TURNER. The $94 million is available in the Stark-Harris authorization. I do not call it a windfall either. And I will make a couple of points that I made earlier. First, transit is dynamic. When we entered into the Full Funding Agreement, we identified our best estimate for car requirements. We know now that we have exceeded the ridership projections on which that requirement was based. If you go out on the system, on the Red Line and on the Yellow Line, you see that today. We believe it is incumbent upon us not only to build the system, but to operate it. And that requires the rolling stock.

I want to say that we have had an absolutely excellent working relationship with Al DelliBovi and UMTA. We have worked together and we have resolved a number of outstanding issues. But there is a contradiction here. We have been told that we cannot build anything beyond the 89.5-mile system with Stark-Harris funds. We request, in this appropriation, just $11 million to do design work beyond 89.5 miles, and that is not included in the administration's request. Yet, we hear the administration telling us to take the money for cars and to build another segment.

First of all, the money that we do have in the appropriation is inadequate to build a segment and to bring it into revenue service as an operating segment under the Full Funding Agreement. So we are somewhat caught in a catch-22 here. I do not know what it is we should do.

Senator MIKULSKI. I want to be clear. You will have $94 million in actual money to spend.

Ms. TURNER. Today, there is $94 million within the Stark-Harris authorization of which we could use some $80 million for cars and the balance to do design work beyond that.

Senator MIKULSKI. So it is authorized, but you do not actually have cash in your checkbook?

Ms. TURNER. Absolutely not.

Senator MIKULSKI. So when they say that there is $94 million, it is $94 million in excess of what was originally authorized. It is not like you have $94 million in cash to go buy more Metro cars.

Ms. TURNER. There is $94 million in the Stark-Harris authorization.

Senator MIKULSKI. But an authorization is not always an appropriation.

Ms. TURNER. That is right.

Senator MIKULSKI. So you do not have that as cash.

Ms. TURNER. That is right.

CONSTRUCTION VERSUS ROLLING STOCK

Senator MIKULSKI. OK. Then second, you are being faced by what you consider a Hobson's choice in being told, "build-no build, cars-no cars."

Ms. TURNER. Yes.

Senator MIKULSKI. Now, as I understand it, you have requested this rolling stock. This will really be my last question on the funding and then I will go to parking, if I could.

Could you explain to the committee why you really need those cars? Just one, two, three in your usual no-nonsense style.

Ms. TURNER. We have looked at the ridership growth on the system. To date, that growth has been at a rate of between 7 and 10 percent. We know based on that rate, which exceeds all of our projections, that we will not have enough cars to operate the 89.5-mile system.

In addition to that, we have taken a very conservative approach, basing our request on a ridership estimate of 3.8 percent. We believe that if we err, we are erring on the side of being very conservative. Clearly, if you look at the system, and if you ride the system, you see that we are now far exceeding the ridership projected at the time that we signed the Full Funding Agreement.

We think it makes infinitely good sense to make sure that we start the procurement for the cars, so that the cars are available by the time the construction is completed. What we do not want is another Red Line situation where we have track going all the way to Shady Grove and we are delaying opening that service because we do not have cars.

A car procurement can be a long process. If we go competitive bid on 80 cars, it is going to take 2 or 3 years before those cars are actually delivered. So we are at a very critical decision point with respect to our ability to deliver service once it is built.

PARKING

Senator MIKULSKI. My last question really goes to both of you, depending on how it is to be answered. As I understand it, one of the problems is that the good news is the ridership is up. It is not a system that is in a bog.

Ms. TURNER. We are paying for our success.

Senator MIKULSKI. One of the problems is parking at Metro sites. The inability to park, and therefore ride, has also diminished the opportunity to expand service. I understand you two have been in conversation about resolving the parking problem, therefore increasing ridership and thus increasing revenue and moving more to independence. Could you add anything?

Ms. TURNER. It all comes back to increasing the car requirement. The projections that we have now do not include increased ridership due to additional parking, so when we build parking garages close to Metro sites, or enhance the existing parking, then we are going to have more riders and we are going to have an even greater increased requirement for cars. Our best estimate is that would be some additional 44 cars.

Senator MIKULSKI. Could we talk about the parking lot?

Mr. DELLIBOVI. If I may Senator, we announced last week, as part of our suburban mobility initiative, that we would make available to the jurisdictions, in order to spur their building parking, on a one-time basis a dollar-for-dollar match of capital funds to construct parking.

My purpose in offering that arrangement was that some of the jurisdictions have already committed themselves to parking, putting up their own local money. I would like to match that money so we get ahead of the demand curve, and also so that they have a revenue stream locally that they can use to build even more parking. That is why it is a one-time offer.

It is true that if you get more riders, you are going to need more railcars. Let me conclude on the car issue by saying that it is a tough choice. If we do not approve the additional 80 cars, some existing riders are going to have a little bit more crowded ride. They may have to wait 2 more minutes every day for a train to come.

But if we do buy more cars, though those people will have a more comfortable ride, and they will not have to wait an additional 2 minutes, their neighbors further down the line are going to have to wait years until the train ever comes to their stop. That is the tradeoff that has to be made.

And that is why I believe it has to be very carefully considered by the WMATA Board. Cars are a flexible thing. You can make up for not having the cars by running trains at greater headways. It is true that some people may not be able to have a train every 4 minutes or every 6 minutes.

When I use the beltway myself and I consider the traffic on the beltway, if I had to wait an extra 2 or 3 minutes in my neighborhood to get a train, it would be better than being stuck for 10 minutes in traffic. It is not a bad tradeoff.

OBLIGATIONS

Senator MIKULSKI. Mr. Chairman, I think that gives us a sense of some of the issues as we have to make these very tough issues ourselves. I have no further questions. I would really want to thank you, Mr. DelliBovi, because I think we have had better communication with your arrival and we appreciate that.

And Ms. Turner, this whole issue of what we call contractor confidence, I think you and your team should really be congratulated because it really shows what could be done around the country if people really managed the resources well, stayed on schedule, stayed on top and ran a fair and honest shop. So I would like to thank you for that.

Ms. TURNER. Thank you.

Senator LAUTENBERG. Thank you very much Senator Mikulski. You should know that Ms. Turner has roots in New Jersey and the skill was transported when she came here.

Ms. TURNER. From New Jersey, Montclair.

Senator LAUTENBERG. Thank you very much Senator Mikulski. We share a common agenda in so many ways, and particularly when it comes to transportation matters. Each of us comes from a state that is very dependent on the ability to move around our small states in a reasonable and efficient fashion without polluting our environment at the same time. We support good highways, good transit systems and that is why we work so well together.

Ms. Turner, one last question and then we will adjourn. Have all of the previous years' appropriations been obligated?

Ms. TURNER. We have not obligated every dollar in every appropriation. I can submit for the record the status of our obligations. We do believe that we will obligate, if we receive the total appropriation request for this year, some $197 million of that in this year.

Senator LAUTENBERG. $197 million?

Ms. TURNER. Of the $221 million, $197 million would be obligated within that fiscal year. But I can give you for the record, the status of the obligation.

Senator LAUTENBERG. Yes; we would like to have that, if we may.

Ms. TURNER. Yes.

[The information follows:]

	Federal dollars in millions
Total Stark-Harris appropriation (fiscal year 1983 through fiscal year 1988)	1,338.9
Deduct: Set-aside for PMOC	−3.0
Subtotal: Available for Metrorail construction	1,335.9
Funds obligated	−914.5
Unobligated balance	421.4

Obligation schedule for prior year funds

Fiscal year:	
1988	131.4
1989	134.9
1990	62.3
1991	42.3
1992	50.5
Total	421.4

SUBMITTED QUESTIONS

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR LAUTENBERG

WMATA CONSTRUCTION REQUEST

Senator Lautenberg. Please break down your request by each major activity.

Answer. The information follows:

Washington Metropolitan Area Transit Authority
Metrorail Construction Program
Federal Fiscal Year 89 Appropriation Request
Summary of Budget Items
(In Million Dollars) 2/29/88

Budget Item	Total
Project Management	36.0
Consultants	5.7
Subtotal	41.7
Start-up and Force Account	7.0
Work Equipment	2.0
Other Construction	
Special Construction	2.5
Design Service	0.5
PMOC	1.0
Subtotal	4.0
Subtotal	54.7
Construction Projects	
Outer E Route - Fort Totten to Greenbelt	
Automatic Train Control	24.8
Substation Equipment & Installation	12.0
Electric Power Service Connection	18.6
Escalators	0.9
Communications	2.8
Greenbelt Parking Facility	7.9
Subtotal	67.0
Construction Claims	36.8
Rail Cars	104.0
Initiate Design and Study Beyond 69.5 Miles	
B Route - Wheaton to Glenmont	6.0
N Route - Van Dorn to Springfield	5.5
Middle E Route - U Street to Fort Totten	2.7
Outer F Route - Anacostia to Branch Avenue	0.4
Subtotal	14.6
Total Requirements	277.1
Federal (80%)	221.7
Local (20%)	55.4

SYSTEM COSTS

Senator Lautenberg. Mrs. Turner, have you and UMTA agreed upon the amount of funding necessary to complete the 89.5 mile system?

Answer. The PMO has concurred in the current estimate. A comparison of the estimate follows:

	Original Full Funding Agreement	Financial Plan Phase II April 1987 Estimate	Financial Plan Phase III Current Estimate 1988
Phase I	$ 796.8	$ 808.1	$ 779.2 1/
Phase II	195.0	196.6	193.7 1/
Phase III	211.5	208.7	226.4 2/
Total	$1,203.3	$1,213.4	$1,199.3

1/ 18 rail cars estimated at $21.6 million were transferred from Phase I to Phase III.

2/ The Financial Plan, Phase III estimate totals $1,200.3 million, of which $1.0 million is for the PMOC and is deducted from the total shown. The decrease in the total estimate from April 1987 to 1988 is due to deleting the 2% bid risk contingency by UMTA and the PMOC.

Senator Lautenberg. What would be the cost effects of approving the $128 million requested by the administration versus WMATA's $221.7 million request?

Answer. On July 16,1986, WMATA signed a Full Funding Agreement with UMTA to build and bring into revenue operations 89.5 miles of the Adopted Regional Metrorail System. Our FY 1989 appropriation request for $221.7 million in federal dollars is consistent with the agreement. These funds will provide for project management, construction on the Outer E Route, construction claims reserve and rail cars to maintain our quality of service standards. It will also initiate planning and design for segments to complete the 103 mile system. Thus, these funds will allow us to maintain our momentum and retain our professional design team to complete the system. If we do not receive the amount we have requested, we will have to reduce the number of rail cars purchased, and may not be able to proceed with design segments beyond 89.5 miles.

Senator Lautenberg. Last year it appeared that the difference in cost estimates was not so much on the total funds

necessary but the required timing of those funds. Is that essentially correct?

Answer. Yes. Last year the Authority's FY 1988 request was for $250 million from the Stark-Harris Authorization. The administration proposed $130 million. The actual appropriation was $180 million which was sufficient to proceed with Phase III construction after pledging advance local matching funds and the Section 9 funds that were earmarked for the bus and rail reliability program. This year's request by the Administration is clear recognition that additional funds are required.

Senator Lautenberg. Mrs. Turner, how did you arrive at your requested funding level?

Answer. On July 16, 1986, WMATA signed a Full Funding Agreement with UMTA to build and bring into revenue operations 89.5 miles of the Adopted Regional Metrorail System. Our FY 1989 appropriation request for $221.7 million in federal dollars is consistent with the agreement. These funds will provide for project management, construction claims reserve and rail cars to maintain our momentum and retain our professional design team to complete the system.

METRORAIL CONSTRUCTION PROGRAM--FY 1989 APPROPRIATION REQUEST
(Federal Dollars)

	(In Millions $)
Project Management, Start-Up	$ 43.8
Green Line Construction	53.6
Construction Claims Reserve	29.4
Rail Cars	83.2
Initiate Design Work Beyond 89.5 Miles	11.7
Total (Federal Share)	$221.7

SENATOR LAUTENBERG: How did UMTA derive its $128 million request? How did WMATA derive its ?221 million request. Why the difference?

ANSWER: Our FY 1989 request for $128 million is based on current estimates, agreed to by WMATA, of the funds necessary to continue construction without delay.

Mrs. Turner addressed their $221 million request in her opening statement.

The difference in our respective budget proposals, as Mrs. Turner has stated, is the additional funds they seek to purchase additional rail cars and to undertake engineering beyond the presently funded 89.5 mile system. I believe that we and WMATA agree on the level of funding necessary in FY 1989 to continue the construction program under the terms of the full funding agreement.

STARK-HARRIS AUTHORIZATION

Senator Lautenberg. Under the Stark-Harris authorization of $1.7 billion, through FY 1988 approximately $1.34 billion has been appropriated. How is the remaining $360 million to be spent? Is it all on construction?

Answer. The following chart outlines the Authority's proposed use of the $360 million Stark-Harris balance. The balance would be used to complete the 89.5 miles covered by the Full Funding Agreement, including required rail cars, and to initiate design beyond the 89.5 miles. Our FY 1989 appropriation request would complete funding for the direct construction work items. Subsequent appropriations will provide for continuing project management functions to complete the 89.5 miles and to perform system start-up activities.

Federal Dollars in Millions

FY 1989 Request	
Project Management and Start-Up	$ 43.8
Green Line Construction	53.6
Construction Claims Reserve	29.4
Rail Cars	83.2
Initiate Design Work Beyond 89.5 Miles	11.7
Subtotal	$221.7
FY 1990 through FY 1993	
Project Management and Start-Up	$139.8
Total	$361.5

Senator Lautenberg. It appears that the administration would provide the Stark-Harris balance over three years while WMATA wants the funds within two years. Is that correct?

Answer. Yes.

FULL FUNDING CONTRACT

Senator Lautenberg. What is the expected date for completing construction of the 89.5 mile system?

Answer. Construction is currently scheduled to be completed and in revenue service as follows:

- Wheaton	September 1990
- U Street	Late 1990
- Van Dorn Street	Early 1991
- Anacostia	Late 1991
- Greenbelt	Late 1993

After pre-operational training and testing, the entire 89.5 mile system would be in full revenue operation by late 1993.

Senator Lautenberg. When would the total 89.5 mile system be in revenue service?

Answer. The Full Funding Agreement requires project completion by late 1994. However, the Authority's current schedule indicates revenue operation of the 89.5 mile system in late 1993, provided sufficient Federal funds are received in a timely manner.

Senator Lautenberg. How dependent are the estimates for completion and revenue service on the timing of release of the funds?

Answer. The timing of the release of funds is very critical to establishing the cost estimate and to determining the system completion date. Availability of funding is a key consideration in developing the overall construction schedule. A delay in funding would increase the cost due to inflation and also delay the system completion date.

Senator Lautenberg. The Full Funding Agreement essentially states that before Metro can move to a new operable segment it must demonstrate that all the funding is in place, including necessary local match. What effect did the FY 1988 funding level of $180.5 million have on this provision? That is, did it stop Metro from proceeding with its Phase III construction program?

Answer. The FY 1988 appropriation level did not stop construction from proceeding on Phase III. However, it did delay our bus and rail reliability program which is supported with Section 9 funds. In order to proceed with Phase III, the Section 9 funds and advance local match funds were pledged to the rail construction program.

Senator Lautenberg. In addition to the direct appropriation, what other funds are available to Metro for construction purposes (local match, reprogrammings)?

Answer. Other than local match, no other funds are available for Metro construction.

COST TO COMPLETE

Senator Lautenberg. Is is still estimated that the the 13.5 miles beyond the Full Funding contract could cost an additional $2.6 billion, or $200 million per mile?

Answer. Last year, we submitted to Congress "A Program for the Construction of the Adopted Regional Metrorail System." This program includes the Authority's most recent cost estimate that a total of $2.7 billion (federal and local) in addition to the funds remaining in Stark-Harris is needed to complete the full system.

Senator Lautenberg. Why does the remaining mileage cost so much?

Answer. The cost estimate reflects many assumptions about future conditions, such as annual inflation rates and funding levels. The cost estimate assumes the system would be completed in 2002 at a (Federal plus local) rate of $250 million per year. Much of the cost is due to inflation.

Senator Lautenberg. Break down for the Committee the estimated costs on the remaining system. How much for right-of-way, rail construction, stations, rolling stock, etc.?

Answer. The information follows:

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY
METRORAIL CONSTRUCTION PROGRAM
SUMMARY OF COST ESTIMATE TO COMPLETE THE 103 MILE SYSTEM
($ IN MILLIONS)

	Design	Real Estate	Construction	System wide	Total
A. Rail Construction:					
1. H-Route (Fran./Springfield)	$ 2.0	$ 4.6	$ 52.6	$ 35.6	$ 94.8
2. B-Route (Glenmont)	6.0	1.6	151.1	55.9	214.6
3. E-Route (Col. Hghts. Ga. Ave.	13.7	24.1	372.7	63.8	474.3
4. F-Route (Branch Ave.)	15.1	39.0	533.4	158.0	745.5
Rail Construction Subtotal	$36.8	$69.3	$1,109.8	$313.3	$1,529.2
B. Other Program Costs:					
1. Management Consultants					240.0
2. Start-Up and Force Account					24.0
3. Work Equipment					28.0
4. Other Construction					93.4
5. Contingency					74.5
6. Insurance					46.1
7. Fare Collection					19.7
8. Rail Cars (190 Cars)					337.2
Other Program Subtotal					862.9
Total Program Cost (A+B)					$2,392.1
C. Options: Enhanced Parking					225.0
Pentagon Second Entrance					35.8
Enhanced Maintenance Facilities					19.6
Options Subtotal					$ 280.4
Program Subtotal (A+B+C)					$2,672.5

DEBT RETIREMENT

Senator Lautenberg. Under the terms of the bond repayment participation agreement between the Authority and U.S. DOT, how much does the Authority deposit each year into the debt retirement sinking fund?

Answer. Every six months, the Authority deposits funds sufficient to maintain the sinking fund at the level required by the Initial Bond Repayment Participation Agreement to redeem

$332.3 million of bonds. The sinking fund deposits are approximately $2.48 million annually.

Senator Lautenberg. Provide the estimated balance in this fund starting January 1987 and thereafter in five year increments.

Answer. The balance in the sinking fund in January 1987 was $14.69 million. The balances required at five year intervals from January 1987 are:

January 1992	$ 36.66 million
January 1997	$ 69.18 million
January 2002	$117.31 million
January 2007	$188.56 million
January 2012	$294.02 million

Redemption of bonds begins July 1, 2012.

UNOBLIGATED BALANCES

Senator Lautenberg. Have all the previous years' federal appropriations been obligated?

Answer. All previous years' federal appropriations have not yet been obligated. Under the terms of the Full Funding Agreement, all financial resources must be identified and in place before work can commence on an operable segment. This causes a balance of appropriated but unobligated funds to build up in the early years of construction. As the sequence of construction, equipment procurement and equipment installation progresses the unobligated balance is depleted.

Senator Lautenberg. If not, list the unobligated balance amounts by year appropriated and the segments and/or activities for which these funds are earmarked.

Answer. The information follows:

(Total Federal and Local Dollars in Millions)

Year Appropriated	Unobligated Balance	Segment and Activity Earmarked
FY 1984 & Prior Years	$ 184.3	o Closeout construction contracts for the operating rail system. o Construction contracts for Full Funding Agreement Phase I; construction on the B-Route, J-Route, Inner E and F-Route and Outer E-Route through Prince George's Plaza Station.

FY 1985 and 1986	42.3	o	Construction contracts for Full Funding Agreement Phase I; construction on the B-Route, J-Route, Inner E&F Route and Outer E-Route through Prince George's Plaza Station.
FY 1987	117.6	o	Construction contracts for Full Funding Agreement Phase II; construction on the Outer E-Route through College Park Station.
FY 1988	223.9	o	Construction contracts for Full Funding Agreement Phase III; construction on the Outer E-Route through Greenbelt Road Station and Yard.

COST RECOVERY

Senator Lautenberg. Provide updated cost recovery ratios for bus and rail operations (page 498 of Senate Hearings 100-354, Part 2).

Answer.

	FY1985 Actual	FY1986 Actual	FY1987 Actual	FY1988 Amended Budget	FY1989 Budget
Metrobus	41.2%	38.9%	37.9%	36.0%	34.4%
Metrorail	68.5%	71.1%	72.8%	74.9%	75.9%
Composite	52.6%	53.2%	54.0%	54.2%	53.8%

OPERATING SUBSIDY

Senator Lautenberg. What did WMATA receive from the Federal government in operating subsidy for Fiscal Year 1988?

Answer. The Authority will receive $16,318,124 of Section 9 operating funds this fiscal year.

Senator Lautenberg. How does this compare for each of the three prior years?

Answer. In fiscal years 1985, 1986, and 1987, the amount of Section 9 operating assistance was:

FY 1985	$18,506,329

FY 1986	$18,506,329
FY 1987	$17,819,744

Senator Lautenberg. What percent of WMATA's total operating costs are offset by the Federal subsidy?

Answer. The FY 1988 budgeted operating costs total $470,467,300. The FY 1988 operating assistance of $16,318,124 offsets nearly 3.5 percent of the costs.

Senator Lautenberg. Has WMATA ever used Section 9 funds to pay for rail construction? If so, how much and in what years?

Answer. Although Section 9 funds have been pledged to the rail construction program to permit construction to proceed in accordance with the Full Funding Agreement, no Section 9 funds have been used for rail construction.

GREEN LINE DELAY

Senator Lautenberg. What is the status of the Green Line through College Park? Have all necessary environmental studies been completed relative to the airport concerns?

Answer. The designs for the structural and finish contracts for Metro's Outer E-Route section through College Park have been completed. Currently, major efforts are concentrated in acquiring rights-of-entry for certain remaining real estate parcels needed for construction. Revenue operation from Fort Totten to Greenbelt is currently scheduled for late 1993.

The only remaining environmental studies are the Section 106 Report which addresses historic preservation isues for the College Park Airport, and the 4(f) Statement dealing with the use of park land for Sections E-8 through E-10. These studies have been completed and circulated to the appropriate federal, state, and local agencies and organizations for review. WMATA received comments in March 1988 from all reviewers except the Federal Aviation Administration (FAA); the letter from the FAA on airport mitigation issues was received on May 10, 1988, and WMATA is currently analyzing and evaluating the FAA comments.

FAA previously sent a letter to WMATA on potential increases in the danger of strikes to aircraft landings and take-offs from migratory birds that would be attracted to the future Lake Metro. WMATA is proceeding with a comprehensive bird study to determine the possible risks involved. This study is expected to take two (2) months. In addition, WMATA is in the process of responding to other issues raised in an attempt to resolve them expeditiously.

Senator Lautenberg. How much of the Green Line funds would be spent on building the proposed Lake Metro? Please explain why this would be a good use of Green Line funds.

Answer. The flood control measures, land replacement agreement and purchasing over 620,000 yards of fill material for trackbed and Greenbelt parking would cost about $8 million dollars. By building the lake, the flood control and replacement problems and costs are avoided. Material from the lake evacuation will reduce the requirement to purchase fill dirt and could well save over a million dollars in excess of the costs of constructing and landscaping the lake.

Senator Lautenberg. Are there any outstanding law suits against the Green Line segment from Anacostia to Branch Avenue.

Answer. No.

COMMON CORRIDOR DERAILMENTS

Senator Lautenberg. What is the Status of the National Transportation Safety Board's Study on the CSX Corporation rail derailments?

Answer. The National Transportation Safety Board issued three recommendations to the Washington Metropolitan Area Transit Authority as a result of the CSX Corporation rail derailments. On March 21, 1988, WMATA accepted the three recommendations and is in the process of implementing them. It is anticipated that a fourth recommendation is forthcoming from the National Transportation Safety Board in the immediate future.

Additionally, it is our understanding that the National Transportation Safety Board will be releasing "A Study On Joint Corridor Operations (WMATA - B6 Corridor)" some time in the near future.

Senator Lautenberg. What specifically have WMATA and CSX done in response to these derailments?

Answer. As a result of the two derailments, a Memorandum of Understanding between WMATA and CSX was executed on September 9, 1987 for the purpose of improving public safety in the common corridor. The major elements of the agreement were as follows:

1. CSX and Metro will establish a joint operating and safety committee composed of senior executives of both organizations, to review methods of improving safety, making an interim report in 30 days and a final report in 90 days.

2. An independent safety consultant, paid for equally by CSX and WMATA, will be selected to assist the work of the joint committee.

3. The committee will review advancements in rail safety technology, examination of signalling and intrusion systems, re-examination of possible impact barriers and operating schedules and speeds.

4. CSX will immediately begin a daily inspection of its tracks within the common operating corridor. Federal Railroad Administration regulations require twice weekly inspections.

5. CSX and WMATA will establish joint inspection procedures for both sets of tracks in the common corridor to be conducted jointly by an independent engineering firm.

In addition, CSX agreed to reduce passenger train speeds in the corridor from 79 to 40 mph and freight train speeds from 55 to 30 mph pending the final report and recommendations of the joint committee.

Following the formation of this Committee, two actions were taken which have important significance:

1. In October 1987, the Committee selected London Transport International to perform the independent track inspection.

2. R. K. Pattison, supported by the firm of Parsons, Brinckerhoff Quade & Douglas, was selected as the committee's technical advisor.

Senator Lautenberg. What capital improvements are being made in response to these accidents?

Answer. The independent safety consultant and the joint operating committee have made the following recommendations:

1. Continue, for an indefinite period of time, the walking inspections of both properties on the common corridor, using an independent inspection source.

2. Upgrade the hot box detector at Kensington to provide an audible signal.

3. Design and implement a continuous derailment/dragging equipment detection system on CSXT trackage on the common corridor between Silver Spring (Georgetown Junction) and Rhode Island Avenue (Q.N. Tower) Stations. This system will monitor CSXT train operations continuously.

4. Design and install high and wide load detection devices in the CSXT/WMATA common corridor tracks. This device would be installed on CSXT tracks approaching the common corridor area.

5. Modify the operations control center intrusion detection warning system (IDW) to differentiate between the IDW type alarms and other alarms and provide audible signals of these alarms.

6. Design and implement a communications system to provide automatic audible notification of the

intrusion detection warning system to the CSXT Q. N. Tower.

7. Increase the height of the intrusion detection warning fence which separates CSXT and WMATA tracks, so that it is approximately 6 feet high above the CSXT track bed.

8. Modify the WMATA speed control logic circuitry to generate a zero speed command to all trains in the affected area when the detection system has been intruded.

9. Install an intrusion detection system in the Twinbrook portal area to provide added protection between the existing industrial sliding and WMATA tracks.

10. Add an intrusion detection system on the right-of-way between WMATA and Route 355 (Hungerford Drive).

The committee made further recommendations as follows:

1. While recognizing the existence of qualified personnel and maintenance programs in both organizations, renewed emphasis in the area of preventative maintenance and quality control is recommended.

2. For an indefinite period, the joint operating and safety committee should meet at least twice per year and as the need arises.

3. Require that emergency communications procedures within both organizations are kept up to date at all times.

4. Existing training programs should be intensified with special attention to the joint corridor operation.

The independent track inspection is presently an ongoing activity. The remainder of the modifications are in the process of implementation by CSXT and budgetary approval prior to implementation by Washington Metro.

WMATA FEDERAL FUNDING HISTORY

Senator Lautenberg. Update the chart found on page 497 of the Senate Hearing Report 100-354, Part 2 regarding the history of federal funding for all WMATA programs.

Answer. Information provided on the following chart.

HISTORY OF FEDERAL APPROPRIATIONS FOR
ALL WMATA PROGRAMS
(in millions of dollars)

	Rail Construction Program						Bus and Rail Capital Improvements Program					
	PL91-143 (2/3-1/3)	PL93-87 Handicapped	PL- Add-Ons	(Title 23) Interstate Highway Funds	PL96-184 Stark/ Harris	Sub-Total	Section 3	Section 5 (Capital)	Section 9a/9 (Capital)	Subtotal	Operating 4/ Assistance	Debt Service
Prior to FY 1969	13.0					13.0						
Fiscal Year 1969	43.8					43.8						
1979	126.1					126.1						
1971	180.0					180.0						
1972	188.0					188.0						
1973	174.3					174.3	70.3			70.3		
1974	131.2	13.7	7.4 2/			152.3	9.0			9.0		12.7
1975	90.4	19.3				109.7	--			--	6.9	17.1
1976	68.0	9.5		475.0		552.5	15.8			15.8	11.5	22.2
1977	116.8 1/	6.8		400.0		523.6	17.4			17.4	17.8	19.4
1978	15.4	2.7		124.8 3/		142.9	21.6			21.6	17.8	60.9
1979				276.3		276.3	--			--	23.7	61.3
1980				275.0		275.0	7.5	13.8		21.3	25.7	65.8
1981				275.0		275.0	5.4	8.0		13.4	26.0	65.9
1982				284.7		284.7	8.0	11.4 5/		19.4	23.1	51.6
1983				45.0	240.0	285.0	11.9	7.3	17.9	37.1	18.5	51.7
1984					250.0	250.0			34.2	34.2	18.5	51.7
1985					250.0	250.0			39.3	39.3	18.5	46.2
1986					217.2	217.2			26.6	26.6	18.5	51.7
1987					201.1	201.1	6.0		30.3	35.3	17.8	51.7
1988					180.5	180.5	5.4 6/		29.9	35.3	16.3	49.2
Total	1,147.0	52.0	7.4	2,155.8	1,338.8	4,701.0	177.3	40.5	178.2	396.0	260.6	679.1

1/ Includes appropriation for the transition quarter of $26.7 million.
2/ Special Federal appropriation to fund construction of the Arlington Cemetery Station and the Mall entrance to the Smithsonian Station.
3/ $275 million was appropriated but $150.2 million was lost due to delays in completing Alternatives Analysis.
4/ Operating assistance for fiscal years 1975 through 1983 was from Section 5 funding. In FY 1984 and thereafter the funding was from Section 9 funds.
5/ $4.3 million of this amount was from Title 23 funding.
6/ WMATA's adopted Phase II FY 1988 Winterization Program is predicated upon a $5.4 million Section 3 grant. WMATA request has not yet been finalized.

EXTENDED HOURS

Senator Lautenberg. Project operating cost increases, and what amount of the increase would need to be subsidized, were Metro to stay open until 2:00 a.m. on Friday and Saturday nights (instead of the present midnight closing)?

Answer. The cost of operating the rail system until 2:00 a.m. on Friday and Saturday nights is estimated to be approximately $1.9 million. These figures incorporate the incremental cost of providing the actual service as well as facilities and police costs.

Metro performs the maintenance of track and right-of-way facilities primarily at night when the system is closed to the public, and the impact on our nighttime heavy maintenance schedule has not been fully assessed. Some major schedule adjustments would be necessary to accommodate the additional hours of revenue service, with attendant costs.

At this time it would be difficult to project the additional subsidy requirements, as a revenue estimates are not available. However revenue return is anticipated to be minimal.

NEW FARECARD MACHINES

Senator Lautenberg. How much does it cost to install a new, large denomination ($10 Bills) bill-accepting farecard machine? How much would it cost to have one such farecard machine in every Metro station?

Answer. A new farecard vendor which accepts $1, $5, $10, and $20 bills would cost approximately $37,500 to procure and install at current contract prices. The Authority has a total of 32 farecard vendors in operation that are capable of accepting large denomination bills at 18 of the 80 mezzanines. In order to equip each mezzanine with at least one of these vendors approximately 50 additional farecard vendors would be needed at a total cost of $1,875,000. A more viable deployment would include at least two of these vendors at each mezzanine. This would require an additional 130 machines at a minimum cost of $4,875,000.

Senator Lautenberg. What additional maintenance/service costs are involved for each such machine? Project total additional maintenance/service costs if every station had such a farecard machine.

Answer. Farecard machines which accept large demonination bills require the same service and maintenance as other fare vendors. If the large denomination bill vendor is replacing a small bill vendor, there is no increase in maintenance or servicing costs. If large denomination bill vendors were added throughout the system to the existing equipment, maintenance and servicing costs would increase by $185,000 per year.

DAVIS-BACON ISSUES

Senator Lautenberg. How are the WMATA workers protected under Davis-Bacon regarding wages and other rights of employment, which are protected under the Act?

Answer. The Washington Metropolitan Area Transit Authority Compact requires that the Board of Directors

> "take such action as may be necessary to insure that all laborers and mechanics employed by contractors or subcontractors in the construction, alteration or repair, including painting and decorating, of projects, buildings and works which are undertaken by the Authority or are financially assisted by it, shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon act, as amended..."

Pursuant to the foregoing Compact provision:

A. All specified contracts contain provisions incorporating the requirements of the Davis-Bacon Act and Department of Labor implementing regulations.

B. Wage rates are obtained from the Department of Labor, including in such contracts, and posted at the work site.

C. The on-site resident engineer, the Contracting Officer and the Authority's Labor Compliance Specialist routinely monitor and enforce the contract provisions implementing the Davis-Bacon Act and Department of Labor regulations through, among other things, review of weekly certified payrolls submitted by the prime contractor for itself and its subcontractors.

D. Complaints by covered workers which cannot be resolved by the Authority are referred to the Department of Labor. As directed by the Department of Labor, the Authority withholds sums due under covered contracts to satisfy DOL determinations.

Senator Lautenberg. The law requires that any contractor working on a federally funded project submit weekly certified payrolls to the contracting agency. Are you getting the certified payrolls on a weekly basis, as required by the law?

Answer. In most instances, the Authority received the required certified payrolls on a timely (weekly) basis. On occasion, particularly at the start of a project or where a prime contractor has difficulty in securing subcontractor payrolls, one or more submissions may be late. When this has occurred, the Authority has informed the prime contractor and the omission ordinarily has been promptly corrected.

Senator Lautenberg. There have been construction projects let by Metro where, it has been alleged by outside groups, that

contractors violated the payroll reporting requirement, where the submittal of certified payrolls was considered sporadic at best and non-existent at worst. Can you explain why this is the case and who is in a position of responsibility to coordinate these activities at the job-site level and the administrative level?

Answer. I believe that such allegations are exaggerated. There have been occasions where certified payrolls have not been timely submitted; however, such occurences are rare. Usually, when submissions are late it is due to (a) press of other activities and finalization of administrative detail during the organizing phase when a project commences; (b) difficulty in obtaining subcontractor submissions, particularly where a subcontractor is not employed full time on the project. Once submittals commence, they usually are submitted on a regular basis. The resident engineer, at the job-site level, and the Contracting Officer and Labor Compliance Specialist, at the administrative level, are responsible for coordination and enforcement of reporting requirements.

Senator Lautenberg. Have any contractors ever been prosecuted or ordered to make back pay, who have willfully misclassified workers in order to pay a lower prevailing rate, intentionally falsified their payrolls, or paid the improper prevailing wage rate? If so, have such penalties as debarment or cancellation of the contract been the result?

Answer. Contractors employed on WMATA projects have been required to pay back wages due to mis-classifications, or other underpayment causes, in those cases where a claim has been instituted by WMATA and/or the Department of Labor, and evidence has been produced to require the payment. There have been approximately 16 cases in the last two years where this has occurred.

There are no known cases where a WMATA contractor has ever been prosecuted by the Department of Labor for willful misclassification or intentional falsification of their payrolls on WMATA projects.

Debarment for Davis-Bacon Act violations is an action which is under the jurisdiction of the Department of Labor. There are no known cases where a WMATA contractor has ever been debarred as a result of willful violation of the Davis-Bacon or related Acts on a WMATA project. There are no known cases where a WMATA contract has ever been terminated because of violations of the Davis-Bacon or related Acts.

Senator Lautenberg. Have there ever been any contractors found to be in violation of the contract, if so, what penalties have been imposed?

Answer. Some WMATA contractors have been found in violation of the Labor Standards Provisions of their contract. No penalties have been imposed by the Department of Labor under Davis-Bacon. However, there have been assessments of damages as provided for under a related labor law (Contract Work hours

and Safety Standards Act, 40 U.S. C. 327-333). That law provides for contractor liability for liquidated damages for unpaid wages for work in excess of 40 hours per week.

Senator Lautenberg. The pre-award investigation procedure would help identify problem contractors before awarding contracts. Has WMATA ever utilized the pre-award investigation procedure to declare a contractor of being non-responsible due to previous violations of the payroll reporting requirement or any other violation?

Answer. For each contract to be awarded a responsibility determination is made. As part of that determination, a review is made of the contractors recent performance on other contracts which can include past violations of the Davis-Bacon Act. In addition, solicitations contain a provision which required bidders to certify whether they are on the Comptroller General's list of firms determined ineligible for award of federal contracts for violations of labor laws . The Authority does not award contracts to firms on that list. There are no known instances where prior violations of the Davis-Bacon Act resulted in a finding of non-responsibility and denial of award.

Senator Lautenberg. On-site interviews are also essential to establish and maintain contractual compliance. Are these interviews taking place?

Answer. Yes.

Senator Lautenberg. What procedures have been set up for on-site interview in order to correlate the on-site employee response to the interviews and what is reported on the certified payrolls?

Answer. The Resident Engineer is required to conduct interviews with representatives of each craft no less frequently than monthly. The interviewer records the workers statement of hourly wages, overtime and fringe benefit payments, and describes what the worker was doing prior to the inverview. The information recorded from the interview is subsequently compared with the certified payroll to verify that the individual is being appropriately compensated. Any discrepancies found are resolved by the WMATA Labor Compliance Specialist assisted by the Resident Engineer. If the problem cannot be reolved voluntarily, the Contracting Officer may withhold funds and ultimately may refer the problem to the Department of Labor for resolution.

Senator Lautenberg. Who is responsible for coordinating such interviews?

Answer The Resident Engineer is responsible for coordinating those portions of the interview which are to be performed in the field. The Staff Labor Compliance Specialist is responsible for resolving any questionable items which may have surfaced from the interview.

Senator Lautenberg. The labor standard laws were established to protect the workers on the job-site. If there is a lack of enforcement of these laws the workers often feel they have little or no recourse when violations occur. What is being done to inform workers of the avenues available to file complaints and protect their right to the legal wage they are entitled to under law?

Answer. It is a contract requirement that the contractor post a copy of the Wage Determination Decision which has been incorporated into the contract at the job site where all employees can see it. WMATA staff follow-up including involvement of the Department of Labor where appropriate, insures contractor compliance with labor standard laws.

Questions Submitted by Senator D'Amato

WMATA REQUEST

Senator D'Amato. For FY 1988 Congress appropriated $180.5 million for Washington Metro. This year you have requested $221.7 million, a 23% increase (+$41.5 million). The administration has proposed only $128 million, a 29% decrease (-$52.5 million).

Most transit programs were cut about 7% in FY 1988 (Section 9 Operating Aid was cut 5%, Section 9 Formula was cut about 10%). Washington Metro was cut about 10% (FY '87 level was $201 million). We will be fighting hard just to keep the Transit Program level in FY 1989. Why should Washington Metro be increased 23%?

Answer. Our FY 1989 requirement of $221.7 million is needed to fulfill our obligations under our Full Funding Agreement, signed by the Authority and UMTA in 1986. Our request will enable us to bring 89.5 miles into revenue service, as provided for in the Full Funding Agreement, providing the same quality of service that is available today. Due to dramatic increases in the ridership, we must purchase additional rail cars to meet demand and to protect the Federal investment in a subway system that is worthy of the nation's capital.

Due to the long lead time of three to five years to procure new rail cars, we believe we must begin now in order to have sufficient cars to meet expanding ridership demand. There are five line openings scheduled between now and 1993 on segments within 89.5 miles of the system. We project that the 80 rail cars we are requesting are necessary to meet the increases in ridership we expect as these lines open.

Senator D'Amato. How would Washington Metro's plans be affected if your funding stayed level at the FY 1988 rate of $180.5 million?

Answer. The $180 million appropriation could reduce the car procurement to 40 cars as illustrated in chart below:

	$ In Millions	
	Total	Federal
Project Management, Start-Up and other	$ 54.7	$ 43.8
Construction Projects - Outer 'E' Route	$ 67.0	$ 53.6
Claim Reserve	$ 36.8	$ 29.4
40 Rail Cars	$ 52.0	$ 41.6
Planning/Design Beyond 89.5 Miles	$ 14.6	$ 11.7
	$225.1	$180.1

SUBCOMMITTEE RECESS

Senator LAUTENBERG. I would close this hearing by just telling you how tough it is to divide up a shrinking pie among growing needs. We know that Mr. DelliBovi understands the transit problems very well and we hope that we will be able to persuade him and his colleagues in the administration of the inadvisability of reducing those resources even further.

With that, this hearing is adjourned. The next hearing is tomorrow at 10 o'clock when we will be reviewing the Coast Guard appropriations. We thank everybody for their participation.

[Whereupon at 3:57 p.m., Wednesday, April 27, the subcommittee was recessed, to reconvene at 10:50 a.m., Thursday, April 28.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1989

THURSDAY APRIL 28, 1988

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:50 a.m. in room SD–124, Dirksen Senate Office Building. Hon. Frank R. Lautenberg (chairman) presiding.

Present: Senators Lautenberg, Hatfield, and D'Amato.

DEPARTMENT OF TRANSPORTATION

U.S. COAST GUARD

STATEMENT OF ADM. PAUL A. YOST, JR., COMMANDANT

ACCOMPANIED BY:
REAR ADM. CLYDE LUSK, CHIEF OF STAFF
CAPT. KENT WILLIAMS, CHIEF, PROGRAMS DIVISION
CAPT. DAVID SPADE, CHIEF, BUDGET DIVISION

OPENING REMARKS

Senator LAUTENBERG. I call this subcommittee to order. The bells have been ringing, as you have noticed, and that has us on the floor with votes. So we apologize for the tardiness and hope that we will be able to cover all the ground that we want in a reasonable amount of time.

The subject is very, very important. This morning the subcommittee will consider the budget request of the U.S. Coast Guard for fiscal year 1989. The Coast Guard is proposing a total of $2.97 billion in new budget authority. This represents an increase of $464 million over the enacted fiscal year 1988 level, and would support 38,000 positions in the military and 5,600 civilian positions in round terms. The administration has also submitted a supplemental of $60 million for Coast Guard operating expenses, to be financed by transfers from an assortment of other accounts.

We are pleased to have with us this morning our principal witness, the Commandant of the Coast Guard, Paul A. Yost, Jr. And I want to extend to you my personal welcome. I must say, I think you are doing

an excellent job under very trying circumstances. We keep on increasing the scope of your duties and at the same time the budget requests get cut back. We are fighting a very tough battle on the budget front.

Last year at this time, we were discussing what would happen if this subcommittee and the Coast Guard were subjected to a freeze as a result of the budget process. Fortunately, we were able to dodge that bullet for a time. In fact, the fiscal year 1988 transportation bill that we reported and that the Senate passed fully funded the Coast Guard's proposed program.

In conference with the House, we were able to work out a compromise that again fully funded the Coast Guard's request, with the aid of some transfers from the Defense Department. Then came the budget summit and a $1.2 billion reduction in funding for the transportation bill.

We were then forced to make across-the-board reductions in every agency in the bill, and the result was essentially a freeze in the Coast Guard's operating budget. This has put the Commandant and his service in a very tough spot.

Over the last several years, as I said, the Coast Guard's portfolio of missions has expanded substantially. I guess it is a tribute to the skills and the resource of the Coast Guard, because they turn to you to perform ever more tasks.

In addition to its traditional roles in search and rescue, ice-breaking, and fisheries enforcement, the service has been assigned important new responsibilities in defense, marine safety, drug interdiction, and marine environmental protection.

In recognition of these additional functions, the Congress has approved the procurement of new, more capable vessels, aircraft, and other equipment. These assets are now coming on line, and it takes resources to operate them. A bigger job and more equipment to do it with means higher operating costs.

This subcommittee and the Coast Guard certainly know that. The budget summit agreement, however, did not take such details into account. Unfortunately, the budget summit is still in effect and will allow only a 2-percent increase in budget authority for domestic programs.

Despite this constraint, Admiral Yost, I want you to know that we are going to do all we can in our power to get you the resources that you need to do the job. As long as I am chairman, you can count on that.

But I have to tell you that it is not going to be easy, and I think you know that. This time we are going to need all of the help that you can give us.

We review this budget against a backdrop of a war, a war against drugs. The Coast Guard is out there fighting it, and they are scoring some significant victories. Just last month, a cutter made the second largest maritime cocaine seizure in history, almost 4,000 pounds. Now, we intend to help you keep pressure on the drug runners.

We are also fighting another war, a war against pollution. Ask anyone along the New Jersey shore: Ocean pollution threatens their livelihood and the quality of their lives. The Coast Guard's mission is to catch illegal dumpers, and we want to discuss our efforts to enhance our work.

And last, there is a shooting war in the Persian Gulf, and we hear that the Coast Guard may become involved. Can we fight the wars at home against drugs and pollution and also send the Coast Guard on a mission to the scene of the shooting war in the gulf?

Now, I know that Admiral Yost believes we can, and we will be exploring that matter as well. We will also look at the effects of fiscal year 1988 funding levels on facilities and services, the policy regarding nonemergency towing by private companies, and some of the other issues.

I would now ask my colleague, the ranking member of the subcommittee, Senator D'Amato, for his statement.

STATEMENT OF HON. ALFONSE M. D'AMATO, U.S. SENATOR FROM NEW YORK

Senator D'AMATO. Thank you, Mr. Chairman. I am pleased to join with you in welcoming Admiral Yost, Commandant of our Coast Guard, to today's hearing.

Mr. Chairman, I am going to ask that my full statement be placed in the record as if read in its entirety.

Senator LAUTENBERG. Without objection.

Senator D'AMATO. Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF SENATOR D'AMATO

Mr. Chairman, I am pleased to join you in welcoming Adm. Paul A. Yost, Jr., Commandant of the U.S. Coast Guard to today's hearing. Admiral Yost has been a great advocate for the Coast Guard and I look forward to hearing his testimony.

The Coast Guard has had a difficult time weathering years of budget storms at the Transportation Department. While I would like to say that this year's sailing will be smoother, there are no such assurances on the horizon. As I said yesterday, the administration's fiscal year 1989 transportation budget is unrealistic. It pits one transportation program against another. We are asked to delete $1.7 billion from transit and shut down Amtrak in order to buy advanced computers for the FAA, hire 1,000 more air traffic controllers, and help Coast Guard fight the war against drugs. The future of the nation's transportation infrastructure is jeopardized by this proposal.

The total fiscal year 1989 amount requested for Coast Guard is $2.976 billion. This includes $348 million for capital needs in the acquisition, construction and improvements [AC&I] program, an increase of $101 million over fiscal year 1988. It also includes $2.1 billion for operating expenses, an increase of more than $200 million over fiscal year 1988. About half of the increase represents contributions formerly made by the Defense Department (and now expected to come from Coast Guard) and the rest is additional Coast Guard funds. Another major part of the request is for $411 million for retired pay which includes annuities and medical costs.

I look forward to our discussions today on the Coast Guard's budget, its mission, and how we are going to pay for it. I certainly believe that responsible funding of the Coast Guard must be one of our top priorities this year.

Thank you, Mr. Chairman.

SEARCH AND RESCUE

Senator D'AMATO. Now, Mr. Chairman, let me say that you and I have worked together in a bipartisan way to attempt to see that the Coast Guard gets the kind of support necessary to carry out its missions:

Search and rescue has been a primary mission that the Coast Guard has carried out ably for many, many years since its inception.

The law enforcement aspects of it, particularly as it relates to those who would bring in drugs, is a priority. And yet, while we have prioritized that, and while the Coast Guard has made more interdictions, we find a distressing situation. The Admiral has testified before a number of committees that the effort is being impaired because of a lack of funds; 55 percent reduction in some of the key patrols.

Mr. Chairman, what we have seen is a bureaucratic kind of attack, a rather mindless attack, and a mean-spirited attack on the Coast Guard. Now, how was that accomplished? It is accomplished in the budgetary process under which OMB, having Coast Guard within the Department of Transportation, totally eliminates necessary transportation functions which you and I, Mr. Chairman, and the rest of the Congress recognize are necessary, and which, Mr. Chairman, you and I have voted over a period of times to reduce but certainly not to totally eliminate.

ELIMINATION OF AMTRAK

The elimination of Amtrak is nonsense. OMB should understand and know that we are not going to simply say to a whole region and area that there is going to be no public transportation of this kind.

And so, although we have funded it at decreasing levels—decreasing—and if other areas of the budget had taken the kinds of cuts that mass transit and Amtrak have taken, we would have over the past 6 years no budget deficit. We would have eliminated the deficit.

But what we find is a disproportionate cut, and so we have OMB recognizing we are not going to eliminate funding for mass transportation or for Amtrak, making 55-percent cuts in mass transportation, totally eliminating the Amtrak function, another $500 million plus, and then fully funding an increasing Coast Guard, so that they can say, well, we did not cut it; this was Congress, when these functions are all placed together and the same pot of money is utilized.

Now, Mr. Chairman, I would like to suggest, as I have yesterday, that in order to deal with this and in order to make more sense as it relates to the law enforcement aspect, that we consider placing the Coast Guard where it originally was, where it was since its inception back in the 1700's. That would be with the Department of Treasury.

A rather interesting article has come to my attention which I will ask be placed in the record, rather than reading the entire article.

Senator LAUTENBERG. Without objection.

[The information follows:]

COAST GUARD WITHERING IN DOT REGULATORY ROLE

By Ronald Fraser

[From the Navy Times, Apr. 11, 1988]

Momentum seems to be building to find the Coast Guard a new home. But, before deciding where the service can best fit, let's take time to think about how the Coast Guard ended up in the Department of Transportation in the first place.

According to retired Coast Guard Rear Adm. Olin Lively, "The decision to transfer the Coast Guard from the Department of Treasury (its home since 1790) to the Department of Transportation, a regulatory agency, was a mistake since it was based on no other consideration than the number of personnel in the Coast Guard at the time.

"The concern was solely one of ensuring that the proposed Department of Transportation had sufficient assigned personnel to attain department status."

Apparently once President Johnson ordered formation of DOT in 1966 and an initial list of 22 highway, railway and aviation agencies was proposed for transfer to the new department, someone discovered a glitch—the department was not as large as anticipated.

Not on the original list of DOT candidate agencies, the Coast Guard was added because of its size—35,000 people, civilians and uniformed, a large percent of the new department's total manpower—not because its move from Treasury was necessarily in the nation's best interest.

This version of how the Coast Guard landed in the DOT, according to Lively, was acquired from a fellow Coast Guard officer with firsthand knowledge of the activities of the study group that planned and executed the DOT's formation.

Could a similar "mistake" happen today? Recently a spokeswoman for the Office of Management and Budget discounted the formal role of agency size in the creation of cabinet departments saying. "The size of an agency has no bearing on its qualification for cabinet status."

Also, the fact the Department of Labor in the 1960's had only about 10,000 employees is another indication size is a relative factor in the creation of an executive department.

Once the Coast Guard became part of the DOT its duties rapidly changed. Historically an operating agency, in the 1970's, the service acquired a squadron of regulatory assignments as its military readiness capabilities went into a tailspin.

In spite of its growing regulatory burdens, however, the Coast Guard has been struggling during the past 10 years to rebuild its withering military strengths and does not need another bureaucratic kick in the shins. Its new home—if there is to be one—should support the renovation of the service as an operating law enforcement and military agency.

A regulatory agency breeds a certain papar shuffling mentality in its work force. After all, it is the nature of a regulator to write and publish rules, conduct studies and generally perform administrative office duties. Action-filled tasks are usually absent or of a low priority.

A military organization, however, must be filled with doers, not paper-pushers if it is to be ready to perform in a crisis. Herein lies a great and enduring dilemma.

We cannot long keep an action-oriented naval service buried in a regulatory department and still expect its sailors to receive the training and mental conditioning required to maintain the can-do attitude needed in the execution of their military duties. We can't have our cake and eat it too.

The Coast Guard's growing relationship with the Navy and national law enforcement agencies must be a primary consideration in the new-home calculus. It's clear the Coast Guard is withering in DOT. It's equally clear the list of possible alternatives is long, diverse and filled with interesting options.

Senator D'AMATO. And it is Public Affairs: "Coast Guard withering in Department of Transportation regulatory role." It's Navy Times, written April 11, 1988. And the author, Ronald Fraser, traces the origins of the Coast Guard, which originally since 1790 was part of the law enforcement effort of the Treasury Department to stop the rum-runners and to stop those who would not pay their tariffs and to interdict, et cetera.

How did it come that Coast Guard was placed in the Department of Transportation? It is rather recent. It has only been there for the past 20 years, since 1966. And it says: "The concern was solely for ensuring that the proposed Department of Transportation had sufficient assigned personnel to attain Department status."

What an unfortunate thing. When President Johnson had created the Department of Transportation, he said, well, let us make sure that we have enough in the way of personnel. This is according to Retired Coast Guard Rear Adm. Owen Lively. He says: "The decision to transfer the Coast Guard from the Department of the Treasury, its home since 1790, to the Department of Transportation, a regulatory agency, was a mistake, since it was based on no other consideration than the number of personnel in the Coast Guard at that time."

I think, Mr. Chairman, that candidly we have to examine this, because I do not see the operational facilities under the Department of Transportation. We have a wonderful new Secretary and he is not going to like that. No one wants to lose control.

But you cannot really tell me what relevance this has to the transportation function. You do not transport people. Search and rescue? But it is really not transportation. It is interdiction, it is rescue, it is law enforcement. And it should be equated so that it is not weighed, its services, its functions—when we are making determinations as to where money comes from, it should come out of that law enforcement area under Treasury.

It just makes sense. We talk about Customs and Coast Guard. The fact of the matter is that they should be working together in a much more coordinated manner. They have done better lately, but their mission is the same in certain respects, as it relates to drug enforcement and law enforcement.

So I think, Mr. Chairman, in fairness, we are never—you and I, despite our best efforts—going to be faced with a situation where we are trying to take from Peter to pay Paul. We are going to have our Coast Guard people out there who are not going to be getting the kind of support that they should be financially because the dollars come under that same budget function.

We are doing a disservice to them and a disservice to our war on drugs, a disservice to the personnel who find themselves without adequate resources. And I hope, Mr. Chairman, in time, with some dialog, some debate, that possibly we could arrive at a solution that would eliminate this terrible situation that the guard is now forced to face.

Thank you, Mr. Chairman.

MAJOR RESPONSIBILITY OF COAST GUARD

Senator LAUTENBERG. Thank you very much, Senator D'Amato.

I am sure that our colleagues in the Commerce Committee will look at this question carefully. I would just very quickly remind you that, if you want to draw on history, in the 1700's we were not as concerned about pollution and a myriad of other things, including drug-running, at the time.

I also must remind you about the cuts in domestic program spending altogether, and the fact is that it has barely moved in nominal terms from 1982 to 1988, and in real terms has declined. So if we pass the Coast Guard over to Treasury or any other department, there is no guarantee, none at all, that Coast Guard is going to get funded as it should.

One of the things that the Coast Guard does have as a major responsibility is to assist with navigation, to make sure that ships plying trade off our shores, legal trade, commercial vessels, recreational vessels, fishermen, have the facility to navigate the channels and understand where it is that they are safe to travel. And I see a very comfortable fit in the Transportation Department. That does not answer, of course, the question about the budget and how we deal with that, because that is a consideration regardless of where the Coast Guard is housed.

Some could make an argument for the Coast Guard being in DOD, Department of Defense. I am sure you have been through that review many times.

So we are not going to settle this this morning. We have another mission this morning, though all of these things are certainly of interest. The mission is to see how we can best help Coast Guard, whatever department it is associated with, to get on with the important tasks that we have assigned it. With your skills and expertise, you, Admiral Yost, and your colleagues and the seamen throughout the Coast Guard have managed to do extremely well under very stressful times.

So we invite you now to present your testimony, and we will be asking you questions later on.

Admiral Yost.

STATEMENT OF ADMIRAL YOST

Admiral YOST. Good morning, Mr. Chairman. I am pleased to have this opportunity to meet with you and the other distinguished members of this subcommittee to review and discuss the Coast Guard's fiscal year 1989 budget request and any other matters that you would like to take up.

Accompanying me today are: my Chief of Staff, Rear Adm. Clyde Lusk; the Chief of the Programs Division, Capt. Kent Williams, here on my right; and my new Chief of the Budget Division, Capt. Dave Spade, on my left.

I will summarize my statement and ask you to enter it in the record in its completeness, sir.

Senator LAUTENBERG. Without objection, so ordered.

Admiral YOST. This fiscal year 1989 budget request follows on the heels of a most difficult fiscal year for the Coast Guard. In 1988 we saw real budget cuts below the prior year levels for our three major appropriations: Operating Expenses, Reserve Training, and Acquisition, Construction, and Improvement.

Mr. Chairman, I know that you fought hard for the Coast Guard last year and that this subcommittee was successful in restoring the Coast Guard's fiscal year 1988 budget very close to the requested level, only to have this restoration wiped out at the last minute in the budget summit and the continuing resolution.

I am grateful for the support that you and this subcommittee have given me in the past, and I am confident of your support again this year.

Unfortunately, the cuts last year have hurt us badly. Units have closed permanently. More than 2,000 regular and reserve people are leaving our rolls. Operational opportunities have been lost, never to be recovered. Essential maintenance, training and spare parts procurement are being deferred or delayed. Some of the problems these actions create will continue to affect our capabilities for many months to come.

If you compare this budget to the fiscal year 1988 levels, it might appear that we are asking for substantial increases in our operations. This is a distortion. Fiscal year 1988 was an aberration, a disaster for us. If you want to make comparisons, look at all of the years of this decade. That will clearly show that we are not in a growth mode, and I brought with me some visual aids that you may want to take a look at later to show this.

I recognize that all of us in government face a formidable task in trying to reduce the federal budget deficit. We are a unique public agency. We are one of the nation's five armed forces, standing ready to protect this nation when it is threatened.

But during peacetime, the nation gets a double bang for the buck from the Coast Guard: substantial benefits from the Coast Guard's varied peacetime missions, plus defense readiness. The American taxpayer receives much more in benefits for each dollar spent by the Coast Guard than from any other federal program.

The Coast Guard is one of the most efficient federal agencies, and this opinion is shared by many unbiased outside observers.

The Coast Guard is a small service, with a big job to do. But we have taken more than our fair share of budget cuts as part of the deficit reduction effort. If it is decided to provide less resources to the Coast Guard, unfortunately the public will receive less service as a result.

I believe that the funding level proposed in our fiscal year 1989 budget is necessary. The initiatives they support—an aggressive program in cooperation with other agencies as part of the national effort of the war on drugs, a more capable operating fleet of cutters and aircraft, an AC&I program that comes closer to meeting our basic capital requirements, a reserve force with a personnel strength, equipment and train-

ing to carry out more of its responsibilities, and a research program that offers the potential to increase mission capabilities and develop operating economies—all are worthy of congressional support.

To meet our traditional as well as our new responsibilities, the Coast Guard must have the necessary funding, people, training, and equipment for the job at hand.

I know that you and your colleagues on the Appropriations Committee and this particular subcommittee will balance the substantial benefits the Coast Guard provides the American people against the costs of Coast Guard operations.

I ask again your support of this budget as presented. I will be happy to respond to your questions, Mr. Chairman.

PREPARED STATEMENT

Senator LAUTENBERG. Thank you very much, Admiral Yost. Your complete statement will be made part of the record.

[The statement follows:]

STATEMENT OF ADMIRAL YOST

GOOD MORNING, MR CHAIRMAN. I AM PLEASED TO HAVE THIS OPPORTUNITY TO MEET WITH YOU AND THE OTHER DISTINGUISHED MEMBERS OF THIS SUBCOMMITTEE TO REVIEW AND DISCUSS THE COAST GUARD'S FISCAL YEAR 1989 BUDGET REQUEST.

ACCOMPANYING ME TODAY ARE MY CHIEF OF STAFF, REAR ADMIRAL CLYDE LUSK, THE CHIEF OF THE PROGRAMS DIVISION, CAPTAIN KENT WILLIAMS, AND MY NEW CHIEF OF THE BUDGET DIVISION, CAPTAIN DAVE SPADE.

THIS FY 1989 BUDGET REQUEST FOLLOWS ON THE HEELS OF A MOST DIFFICULT FISCAL YEAR FOR THE COAST GUARD. IN 1988, WE SAW REAL BUDGET CUTS ... BELOW THE PRIOR YEAR LEVELS...FOR OUR THREE MAJOR APPROPRIATIONS: OPERATING EXPENSES (OE); RESERVE TRAINING (RT) AND ACQUISITION, CONSTRUCTION, AND IMPROVEMENTS (AC&I).

MR. CHAIRMAN, I KNOW THAT YOU FOUGHT HARD FOR THE COAST GUARD LAST YEAR AND THAT THIS COMMITTEE WAS SUCCESSFUL IN RESTORING THE COAST GUARD'S FY88 BUDGET VERY CLOSE TO THE REQUESTED LEVEL ONLY TO HAVE THIS RESTORATION WIPED OUT AT THE LAST MINUTE IN CONFERENCE. I AM GRATEFUL FOR THE SUPPORT THAT YOU AND THIS COMMITTEE HAVE GIVEN ME IN THE PAST, AND I'M CONFIDENT OF YOUR SUPPORT AGAIN THIS YEAR. UNFORTUNATELY, THE CUTS LAST YEAR HAVE HURT US BADLY. UNITS HAVE CLOSED PERMANENTLY. MORE THAN TWO THOUSAND REGULAR AND RESERVE PEOPLE ARE LEAVING OUR ROLES. OPERATIONAL OPPORTUNITIES HAVE BEEN LOST, NEVER TO BE RECOVERED. ESSENTIAL MAINTENANCE, TRAINING AND SPARE PARTS PROCUREMENTS ARE BEING DEFERRED OR DELAYED. SOME OF THE PROBLEMS THESE ACTIONS CREATE WILL CONTINUE TO AFFECT OUR CAPABILITIES FOR MANY MONTHS TO COME, IN VERY VISIBLE WAYS. LESS VISIBLE ... AND MORE INSIDIOUS ... IS THE IMPACT ON THE MORALE AND ATTITUDES OF OUR PEOPLE. CONTINUING THREATS OF BUDGET CUTS AND THE CONSTANT NEED TO ABSORB NEW MISSIONS AND RESPONSIBILITIES WITHIN EXISTING RESOURCES LEAD MANY COAST GUARD MEN AND WOMEN TO DOUBT THE FUTURE OF THE COAST GUARD ... OR TO QUESTION THEIR INDIVIDUAL FUTURES WITHIN IT.

I'M HERE TODAY TO TELL YOU ... AND THEM ... THAT THERE IS A VERY NECESSARY PLACE FOR THE COAST GUARD IN THIS NATION'S FUTURE. IT'S UP TO US ... IN BOTH THE ADMINISTRATION AND THE CONGRESS ... TO ASSURE THAT FUTURE. I'VE DONE SO, BY IDENTIFYING JUST WHAT RESOURCES THE COAST GUARD NEEDS TO MEET ITS RESPONSIBILITIES IN ALL THREE MAJOR MISSION AREAS ... MARINE SAFETY, LAW ENFORCEMENT AND DEFENSE READINESS. THE SECRETARY OF TRANSPORTATION HAS DONE SO, BY STRONGLY SUPPORTING FUNDING FOR OUR HIGHEST PRIORITY REQUIREMENTS. THE PRESIDENT HAS DONE SO, BY SUBMITTING A BUDGET THAT PROVIDES THE NECESSARY SUPPORT FOR US. NOW, I'M ASKING FOR YOUR SUPPORT THIS YEAR ... TO COMPLETE THE CYCLE ... BY MAKING A SIMILAR COMMITMENT TO FUND US AT THE LEVEL REQUESTED IN THE BUDGET.

THIS IS NOT AN EXPANSIONIST BUDGET. FOR THE MOST PART, IT FUNDS FOLLOW-ON OPERATIONS OF NEW HARDWARE ... SUCH AS THOSE PROVIDED IN THE OMNIBUS DRUG SUPPLEMENTAL APPROPRIATIONS ACT OF 1987 ... WITHOUT HAVING TO CLOSE OR DECOMMISSION MORE EXISTING UNITS; IT BRINGS OUR RESERVE STRENGTH LEVEL BACK TO WHERE WE WERE LAST YEAR; AND IT BRINGS US CLOSER TO AC&I PROGRAM LEVELS THAT MEET THE NEEDS OF THE COAST GUARD.

IF YOU COMPARE THIS BUDGET TO FY 1988 LEVELS, IT MIGHT APPEAR THAT WE ARE ASKING FOR SUBSTANTIAL INCREASES IN OUR OPERATIONS. THAT IS A DISTORTION. FY 1988 WAS AN ABERRATION ... A DISASTER FOR US. IF YOU WANT TO MAKE COMPARISONS, LOOK AT ALL OF THE YEARS OF THIS DECADE. THAT WILL CLEARLY SHOW YOU WE AREN'T IN A GROWTH MODE.

WE'VE DONE MORE THAN OUR FAIR SHARE TO KEEP OUR BUDGET REQUIREMENTS DOWN. OVER THAT LAST DECADE WE'VE MADE SIGNIFICANT REALLOCATIONS OF EXISTING RESOURCES TO MEET NEW PRIORITIES. WHEN THAT WAS NOT ENOUGH, WE REALIGNED OUR FIELD MANAGEMENT AND SUPPORT FUNCTIONS. THIS REALIGNMENT FREED UP OVER 400 STAFF PERSONNEL FOR REALLOCATION TO OPERATIONAL DUTIES. MANY OF THEM HAVE GONE TO REDUCE THIS YEAR'S BUDGET NEEDS BY PROVIDING CREWS FOR MANY OF OUR CUTTERS AND AIRCRAFT INVOLVED IN THE WAR ON

DRUGS. WE REMAIN LEADERS IN FEDERAL PRODUCTIVITY EFFORTS ... CONTINUING TO TAKE ANTICIPATORY CUTS TO OFFSET NEW REQUIREMENTS. EVEN WITH ALL OF THESE DRASTIC MANAGEMENT ACTIONS, WE ARE STILL STRAINING.

OUR NEEDS IN THIS BUDGET ARE REAL ONES. WE ARE NOT TRYING TO RESTORE UNITS ALREADY TAKEN OUT OF COMMISSION; WE'RE JUST TRYING TO AVOID MORE CLOSINGS. WE ARE NOT TRYING TO ACHIEVE SIZABLE NEW PROGRAM STARTS; WE'RE ESSENTIALLY TRYING TO FUND THE COST OF PRESENT OPERATIONS PLUS THE NECESSARY FOLLOW-ON FOR NEW UNITS PURCHASED IN PREVIOUS BUDGETS. WE ARE NOT TRYING TO INCREASE OUR RESERVE STRENGTH; WE'RE JUST TRYING TO RETURN TO LEVELS WE REACHED IN FY 1987. WE ARE NOT TRYING TO FUND LARGE, NEW CAPITAL PURCHASES; WE'RE JUST TRYING TO FUND THE CONTINUATION OF MULTI-YEAR PROJECTS INTENDED TO RESTORE OR REPLACE BASIC CAPABILITIES.

THIS IS A CRUCIAL YEAR FOR THE COAST GUARD'S BUDGET. WITHOUT FUNDING AT THE REQUESTED LEVEL, I WILL HAVE NO CHOICE BUT TO CUT MORE UNITS AND REDUCE MY RESPONSIVENESS TO MISSION RESPONSIBILITIES. THIS IS NOT INTENDED AS A THREAT OR A SCARE STORY, BUT RATHER IS THE REAL SITUATION I FACE.

BUDGET TOTALS

TOTAL BUDGET AUTHORITY REQUESTED IS $2,976 MILLION WHICH WILL SUPPORT A LEVEL OF 38,065 MILITARY AND 5,666 CIVILIAN POSITIONS. APPROXIMATELY 70 PERCENT OF THIS AMOUNT, $2,070.5 MILLION PLUS ANOTHER $30 MILLION PROPOSED TO BE TRANSFERRED FROM OUR BOAT SAFETY ACCOUNT, IS FOR OPERATING EXPENSES. THIS APPROPRIATION PROVIDES FOR SALARIES AND EXPENSES OF MOST OF OUR PERSONNEL AND FUNDING FOR THE OPERATION AND MAINTENANCE OF COAST GUARD SHIPS, AIRCRAFT AND SHORE UNITS, INCLUDING FACILITIES RECENTLY ACQUIRED THROUGH CAPITAL INVESTMENTS IN RECENT YEARS.

$348.0 MILLION IS REQUESTED TO FUND MAJOR CAPITAL IMPROVEMENTS. MOST OF THESE CAPITAL INVESTMENTS FINANCED BY OUR ACQUISITION, CONSTRUCTION AND IMPROVEMENTS APPROPRIATION ARE FOR

RENOVATION, MODERNIZATION OR REPLACEMENT OF MULTI-MISSION FACILITIES WHICH ARE REQUIRED BY THE COAST GUARD IN THE PERFORMANCE OF ITS OPERATIONAL AND REGULATORY MISSIONS.

$68.5 MILLION IS REQUESTED TO FUND A SELECTED RESERVE OF 13,000 MEMBERS.

THE $19.0 MILLION REQUESTED FOR RESEARCH AND DEVELOPMENT WILL FUND THE DEVELOPMENT OF TECHNIQUES, METHODS, HARDWARE AND SYSTEMS THAT DIRECTLY CONTRIBUTE TO INCREASING THE PRODUCTIVITY AND EFFECTIVENESS OF COAST GUARD OPERATING FORCES.

$15 MILLION IS BEING REQUESTED FOR BOAT SAFETY GRANTS WHICH PROVIDE FINANCIAL ASSISTANCE TO STATES FOR THE DEVELOPMENT AND IMPLEMENTATION OF A COORDINATED NATIONAL RECREATIONAL BOATING SAFETY PROGRAM.

$410.8 MILLION IS REQUESTED TO FUND OUR RETIRED PAY ACCOUNT WHICH PROVIDES ANNUITIES AND MEDICAL COSTS FOR MILITARY RETIRED PERSONNEL, THEIR DEPENDENTS AND SURVIVORS. ALSO, $5.7 MILLION IS ESTIMATED FOR OUR OIL POLLUTION FUND PENDING ENACTMENT OF THE OIL SPILL LIABILITY AND COMPENSATION LEGISLATION WHICH WE STRONGLY SUPPORT.

OPERATING EXPENSES (OE)

IN THE OPERATING EXPENSES (OE) APPROPRIATION, THE APPARENT SIZE OF OUR REQUESTED INCREASE IS MISLEADING. MORE THAN ONE-HALF OF THE REQUESTED NET INCREASE IS TO ANNUALIZE THE $100 MILLION IN DOD "SERVICES-IN-KIND" THAT WAS PROVIDED IN THE FY 1988 CONTINUING RESOLUTION AND THE $60 MILLION SUPPLEMENTAL FUNDING WE HAVE REQUESTED IN FY 1988. THE OE FUNDS WILL RESTORE A PORTION OF THE RECURRING BUDGET SHORTFALL WE EXPERIENCED IN FY 1988 AND WILL AVOID THE NEED FOR FURTHER UNIT CLOSINGS. ANOTHER $68 MILLION IS FOR BUILT-IN CHANGES TO FUND BOTH THE RECENTLY ENACTED AND PROPOSED PAY RAISES AND COST OF LIVING INCREASES NECESSARY JUST TO MAINTAIN OUR PRESENT LEVEL OF SERVICE IN FY 1989. $63 MILLION IS FOR FOLLOW-ON EXPENSES NECESSARY TO OPERATE AND MAINTAIN THE NEW CAPITAL ACQUISITIONS FUNDED BY CONGRESS; MUCH OF IT TO MEET THE COMMITMENTS AND CARRY OUT THE ADDITIONAL

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RESPONSIBILITIES MANDATED BY THE ANTI-DRUG ABUSE ACT OF 1986. THE FINAL $21 MILLION IS NEEDED TO MAINTAIN OUR EXISTING CAPABILITIES OR TO BEGIN SOME LIMITED NEW STARTS, SUCH AS CONTINUATION OF THE RESCUE SWIMMER PROGRAM AND FUNDING FOR OUR EXPANDED DRUG INTERDICTION EFFORTS.

THERE IS NO SLACK IN OUR BUDGET BASE ... AND THIS REQUEST WILL ADD NONE. WE MUST FUND OUR EXISTING RESOURCES SO THAT THEY CAN OPERATE TO THEIR FULL CAPABILITIES. I CANNOT REPEAT THE "SQUEEZE DOWN/SLOW DOWN" OF OPERATIONS THAT I WAS FORCED TO DO THIS YEAR BECAUSE OF THE BUDGET CUT WE TOOK. IT WOULD BE IRRESPONSIBLE OF ME TO DO SO, LEST I RISK MAINTAINING A "HOLLOW FORCE" ... ONE COMPOSED OF HIGH OVERHEAD AND LOW OPERATIONS. WE MUST FUND PAY RAISES AND COST OF LIVING INCREASES ... THEY ARE THE COSTS OF CONTINUING TO DO BUSINESS. THE NEW CUTTERS AND AIRCRAFT THAT WERE PROVIDED FOR IN THE OMNIBUS DRUG SUPPLEMENTAL APPROPRIATIONS ACT OF 1987 MUST BE OPERATED AND MAINTAINED IF WE ARE TO CARRY OUT THE ADDITIONAL RESPONSIBILITIES MANDATED BY THE RELATED AUTHORIZATION ACT. THE COMMITMENT TO COMBAT THE INFLOW OF DRUGS INTO THIS NATION MUST CONTINUE. THE ANTI-DRUG ABUSE ACT OF 1986 REEMPHASIZED THIS NEED, AND THE OMNIBUS DRUG SUPPLEMENTAL PROVIDED ADDITIONAL RESOURCES FOR THE COAST GUARD AND OTHER FEDERAL LAW ENFORCEMENT AGENCIES TO "HOLD THE LINE" AGAINST THE IMPORT OF DRUGS. IT RECOGNIZED THAT THIS HOLDING ACTION IS NECESSARY UNTIL THE LONG TERM SOLUTION OF EDUCATING THE AMERICAN PUBLIC TO THE INSANITY OF DRUG USE CAN TAKE HOLD. THE COAST GUARD NEEDS THE SUPPORT OF THE CONGRESS TO CONTINUE THIS DRUG WAR ... THERE ARE STILL INTERDICTION BATTLES TO BE FOUGHT. WE MUST HAVE THE NECESSARY RESOURCES IF WE ARE TO WIN THOSE BATTLES.

ACQUISITION, CONSTRUCTION AND IMPROVEMENTS (AC&I)

THE COAST GUARD ACQUISITION, CONSTRUCTION AND IMPROVEMENT (AC&I) REQUEST THIS YEAR IS INCREASED OVER THAT OF LAST YEAR ... BUT I HASTEN TO POINT OUT THAT LAST YEAR WE RECEIVED THE LOWEST LEVEL OF FUNDING IN AC&I THIS DECADE.

AS IN THE PAST, THIS REQUEST IS DRIVEN BY LARGE MULTI-YEAR PROJECTS SUCH AS THE 378' WHEC FLEET REHABILITATION AND MODERNIZATION, 210' WMEC MIDLIFE MAINTENANCE AVAILABILITY, AND THE HH-60 MRR REPLACEMENT HELICOPTER ... ALL ESSENTIAL RENOVATION OR REPLACEMENT PROJECTS ... AS WE TRY TO HOLD OUR OWN WITH OUR CAPITAL PLANT. THESE MULTI-YEAR PROJECTS, TOGETHER WITH OUR FIXED SUPPORT COSTS AND OTHER RECURRING NEEDS LIKE HOUSING, TAKE A VERY LARGE SHARE OF THE AVAILABLE AC&I DOLLARS. THIS SIGNIFICANTLY LIMITS OUR FLEXIBILITY TO ACCOMPLISH OTHER, SMALLER, YET NO-LESS-IMPORTANT PROJECTS ... AND NEARLY ALL OF THOSE PROJECTS ARE FOR RENOVATION OR REPLACEMENT. FOR EXAMPLE, ONE OF THOSE PROJECTS IS TO FUND THE DESIGN OF A REPLACEMENT BUOY TENDER ... ITSELF THE BEGINNING OF A VERY NECESSARY REPLACEMENT PROGRAM FOR THE FUTURE.

RESERVE TRAINING (RT)

AS A RESULT OF FY 1988 BUDGET SHORTFALLS, I WAS FORCED TO PARE BACK COAST GUARD SELECTED RESERVE STRENGTH TO 12,000 PERSONNEL. THE BUDGET BEFORE YOU ALLOWS FOR RESTORATION OF THE SELECTED RESERVE TO THE 13,000 LEVEL WHICH WE REACHED IN FY 1987.

AN INADEQUATE FORCE LEVEL ADVERSELY IMPACTS THE COAST GUARD'S ABILITY TO CARRY OUT ITS RESPONSIBILITIES UNDER THE MARITIME DEFENSE ZONE CONCEPT, WHICH INCLUDES THE SECURITY OF U.S. STRATEGIC PORTS AND THE PROTECTION OF WATER TRANSPORTATION SYSTEMS. FAILURE TO ACCOMPLISH THESE MISSIONS WOULD SEVERELY WEAKEN DOD'S STRATEGY TO OUTLOAD SUPPLIES AND PERSONNEL FROM U.S. DOMESTIC PORTS SAFELY AND EFFICIENTLY. IF THE COAST GUARD AND ITS SELECTED RESERVE ARE TO MEET MANDATED DEFENSE RESPONSIBILITIES, THE FORCE LEVEL MUST GROW AND THAT FORCE MUST BE REASONABLY FUNDED TO INSURE PROPER EQUIPMENT AND TRAINING ARE PROVIDED FOR THE PERFORMANCE OF ITS VITAL WARTIME NATIONAL SECURITY MISSION.

I RECOGNIZE THAT ALL OF US IN GOVERNMENT FACE A FORMIDABLE TASK IN TRYING TO REDUCE THE FEDERAL BUDGET DEFICIT. THE AMERICAN PEOPLE DON'T SEEM INTERESTED IN PAYING HIGHER TAXES;

NEITHER ARE THEY INTERESTED IN HAVING ESSENTIAL PUBLIC SERVICES CURTAILED. THE CHALLENGE FOR YOU IS TO BALANCE THESE CONFLICTING DESIRES BY FUNDING THOSE AGENCIES AND PROGRAMS WHICH MOST EFFICIENTLY DELIVER SERVICES OF MOST BENEFIT TO THE NATION. AND, THAT IS WHY I BELIEVE THAT YOU CAN, AND SHOULD, SUPPORT THE BUDGET REQUEST OF THE U.S. COAST GUARD. WE ARE A UNIQUE PUBLIC AGENCY. AT ALL TIMES, WE ARE ONE OF THE NATION'S FIVE ARMED FORCES--STANDING READY TO PROTECT THIS NATION WHEN IT IS THREATENED. BUT, DURING PEACETIME, THE NATION GETS DOUBLE "BANG FOR THE BUCK" FROM THE COAST GUARD - SUBSTANTIAL BENEFITS FROM THE COAST GUARD'S VARIED PEACETIME MISSIONS PLUS DEFENSE READINESS. THE AMERICAN TAXPAYERS RECEIVE MUCH MORE IN BENEFITS FOR EACH DOLLAR SPENT BY THE COAST GUARD THAN FROM MOST OTHER FEDERAL PROGRAMS. I FIRMLY BELIEVE THAT THE COAST GUARD IS ONE OF THE MOST EFFICIENT FEDERAL AGENCIES, AND THIS OPINION IS SHARED BY MANY UNBIASED OUTSIDE OBSERVERS. WE HAVE TAKEN MORE THAN OUR FAIR SHARE OF BUDGET CUTS AS PART OF THE DEFICIT REDUCTION EFFORT. SOME OF THESE CUTS I BELIEVE WERE NOT INTENDED OR UNDERSTOOD BY THE CONGRESS IN THE RUSH TO PASS A HUGE CONTINUING RESOLUTION. THE COAST GUARD IS A SMALL SERVICE WITH A BIG JOB TO DO. SOMETIMES THE AMERICAN PEOPLE TAKE OUR SERVICES FOR GRANTED OR DON'T EVEN REALIZE HOW THEY HAVE BENEFITTED FROM THE COAST GUARD'S OPERATIONS.

MOST RECREATIONAL BOATERS ARE WELL AWARE OF THE SEARCH AND RESCUE SERVICES THE COAST GUARD PERFORMS. PROBABLY THE MOST WELCOME SIGHT TO A PERSON CLINGING TO A CAPSIZED BOAT IS A HELICOPTER HOVERING OVERHEAD WITH THE BIG LETTERS USCG PLAINLY IN VIEW. NOR DO WE HAVE TO SELL OUR WORTH TO A BOATER DRIFTING ONTO THE ROCKS AS HE TAKES A LINE FROM A COAST GUARD 41 FOOTER. BUT THESE SAME BOATERS MAY NOT KNOW (OR THEY MAY TAKE FOR GRANTED) THAT IT IS THE COAST GUARD THAT SETS AND MAINTAINS THE BUOYS AND OPERATES AND MAINTAINS THE LIGHTHOUSES AND LORAN C SYSTEM THAT THEY USE TO NAVIGATE.

MANY PEOPLE IN THE NORTHEAST AND ON THE GREAT LAKES KNOW THAT COAST GUARD ICEBREAKERS - BOTH LARGE AND SMALL - OPERATE TO FACILITATE COMMERCE IN THE WINTER. BUT THE AVERAGE AMERICAN TAXPAYER PROBABLY DOESN'T REALIZE THAT HE HAS BENEFITTED BY LOWER PRODUCT COSTS BECAUSE OF THAT FACILITATION OF COMMERCE.

AND, AMERICANS KNOW THAT THE COAST GUARD IS AT THE FOREFRONT OF THE NATION'S FIGHT AGAINST THE IMPORTATION OF ILLEGAL DRUGS. BUT DO THEY REALIZE HOW MANY LIVES ARE SAVED AND HOW MUCH DRUG RELATED CRIME IS PREVENTED BY THE SEIZURE OF TONS OF COCAINE AND MARIJUANA EACH YEAR? DRUG LAW ENFORCEMENT IS NOT JUST A BENEFIT TO THE SOUTHEASTERN U.S. WHERE OUR EFFORTS ARE CONCENTRATED. OUR PATROLS BENEFIT CITIZENS IN EVERY CITY AND TOWN IN THE UNITED STATES.

THE COAST GUARD'S NAVIGATION SERVICES AND MARITIME SAFETY EFFORTS HAVE FACILITATED THE TRANSPORTATION OF CARGOES THAT ARE ESSENTIAL INGREDIENTS OF THE PRODUCTS WHICH AMERICAN CONSUMERS ENJOY. THESE SAME SERVICES HAVE PROTECTED THE PRECIOUS CARGOES THAT OUR FARMERS AND MANUFACTURERS EXPORT ABROAD TO HELP REDUCE THE NATION'S TRADE DEFICIT. AND OUR EFFORTS HAVE FACILITATED THE SAFE TRANSPORT OF OIL FROM THE ALASKAN NORTH SLOPE TO HELP PROVIDE THE ENERGY THAT IS ESSENTIAL FOR OUR INDUSTRIAL ECONOMY TO GROW AND PROSPER. WE HAVE HELPED KEEP THE OIL IN THE SHIPS AND OUT OF THE WATER - BOTH AVOIDING SPILLS DUE TO ACCIDENTS AND DETERRING THE INTENTIONAL DISCHARGE OF OIL DUE TO PUMPING BILGES OR WASHING OUT TANKS. THE MERE SIGHT OF A COAST GUARD FLAG AT A COAST GUARD FACILITY OR ON A COAST GUARD UNIT DETERS POTENTIAL POLLUTERS. OUR BEACHES ARE CLEANER DUE TO THE EFFORTS OF THE COAST GUARD.

YES, THE NATION TAKES THESE THINGS FOR GRANTED BECAUSE THE COAST GUARD HAS OPERATED EFFICIENTLY AND EFFECTIVELY TRYING TO DO MORE AND MORE WITH LESS AND LESS. NOW, MR. CHAIRMAN, I'M HERE TODAY TO TELL YOU THAT I NEED TO DO MORE WITH THE SAME SIZE COAST GUARD THAT I HAVE NOW. WE HAVE GONE PAST THE POINT WHERE WE CAN DO MORE WITH LESS. IF IT IS DECIDED TO PROVIDE LESS RESOURCES TO

THE COAST GUARD; UNFORTUNATELY, THE PUBLIC WILL RECEIVE LESS SERVICES AS A RESULT. I HAVE BEEN FORCED TO TAKE PAINFUL CUTS TO ABSORB A DECLINING REAL BUDGET OVER THE LAST SIX YEARS. I KNOW THAT YOU, AND YOUR COLLEAGUES ON THE APPROPRIATIONS COMMITTEE, WILL BALANCE THE SUBSTANTIAL BENEFITS THE COAST GUARD PROVIDES THE AMERICAN PEOPLE AGAINST THE COSTS OF COAST GUARD OPERATIONS.

SUMMARY

I SINCERELY BELIEVE THAT THE FUNDING LEVEL PROPOSED IN OUR FY 1989 BUDGET IS NECESSARY. THE INITIATIVES THEY SUPPORT ... AN AGGRESSIVE PROGRAM, IN COOPERATION WITH OTHER AGENCIES, AS PART OF THE NATIONAL EFFORT IN THE WAR ON DRUGS, A MORE CAPABLE OPERATING FLEET OF CUTTERS AND AIRCRAFT, AN AC&I PROGRAM THAT COMES CLOSER TO MEETING OUR BASIC CAPITAL REQUIREMENTS, A RESERVE FORCE WITH THE PERSONNEL STRENGTH, EQUIPMENT AND TRAINING TO CARRY OUT MORE OF ITS RESPONSIBILITIES, AND A RESEARCH PROGRAM THAT OFFERS THE POTENTIAL TO INCREASE MISSION CAPABILITIES AND DEVELOP OPERATING ECONOMIES ... ARE ALL WORTHY OF CONGRESSIONAL SUPPORT.

TO MEET OUR TRADITIONAL AS WELL AS OUR NEW RESPONSIBILITIES, THE COAST GUARD MUST HAVE THE NECESSARY FUNDING, PEOPLE, TRAINING AND EQUIPMENT FOR THE JOB AT HAND. I ASK YOUR SUPPORT OF THIS BUDGET AS PRESENTED.

I WILL BE HAPPY TO RESPOND TO ANY QUESTIONS YOU OR THE OTHER MEMBERS OF THE SUBCOMMITTEE MIGHT HAVE.

U. S.Coast Guard

Budget Problem

(a graphic explanation)

February 18, 1988

GRAPH 1

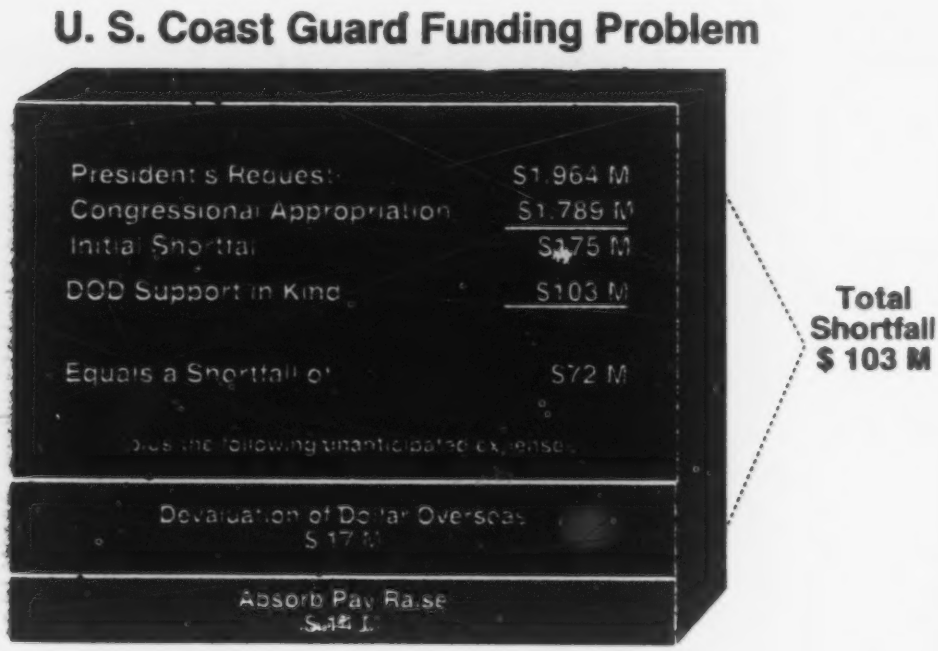
U. S. COAST GUARD FUNDING PROBLEM

Graph 1 simply spells out our funding problem this fiscal year -- a shortfall of $103 million in our operating expenses account.

As you can see, the President requested $1.964 billion but Congress appropriated only $1.789 billion, leaving us with an initial shortfall of $175 million. To offset this shortfall however, Congress provided an additional $103 million from DOD -- of which $100 million is for "support in kind". This support in kind is not actual money; rather, we will simply not have to pay for defense related materials such as supplies, fuels, etc. secured from DOD (not less than $100 million).

With this DOD support, the Coast Guard faces a $72 million shortfall. On top of this $72 million shortfall however, we face two other major unanticipated costs. First, we need to pay more than we planned for foreign engine parts and our overseas operations as a result of the decline of the dollar. This cost approximates $17 million. Secondly, we need to absorb the January 1, 1988 pay raise of $14 million.

All in all, this is why we face a $103 million shortfall this year.



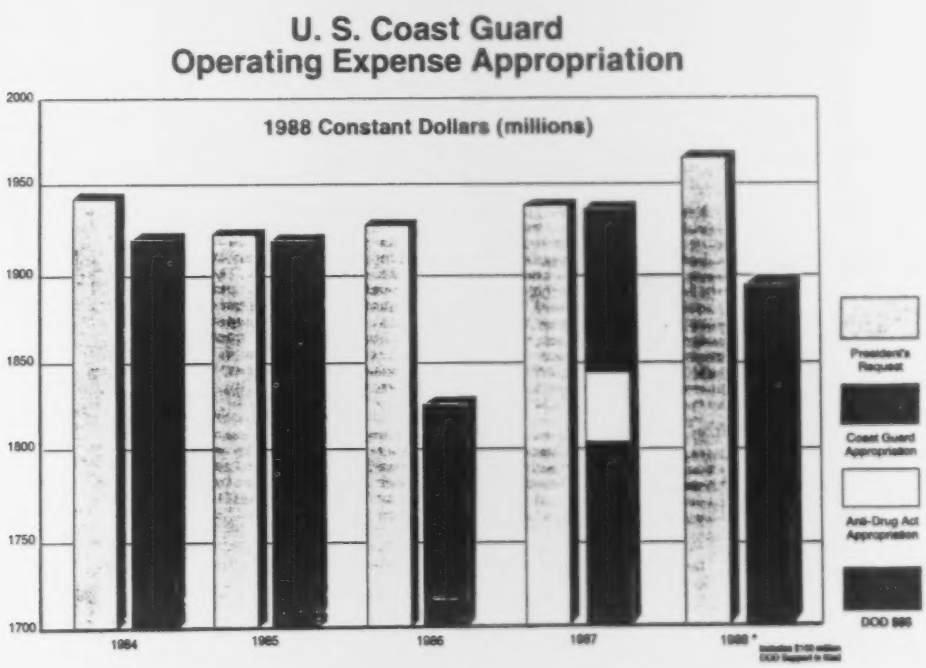
GRAPH 2

U. S. COAST GUARD OPERATING EXPENSE APPROPRIATION

This graph shows us what's happened to the Coast Guard's Operating Expense appropriation since 1984. Using 1988 constant dollars, we can see that the Coast Guard has actually less purchasing power in 1988 than it had in 1984. Yet, as you know, the Coast Guard has had to expand its responsibilities -- most notably, drug interdiction.

There are two other glaring realizations as one views this graph. First, you will note that each year the Coast Guard has received less funding than requested by the President. And second, Coast Guard's funding has been supplemented significantly by DOD. Without these DOD supplements however, the funding available for the Coast Guard would have been unfathomable.

Note that in FY 87 even the highly touted Anti-Drug Abuse Act funding simply replaced funds that had been requested by the President, but were cut by the Congress.



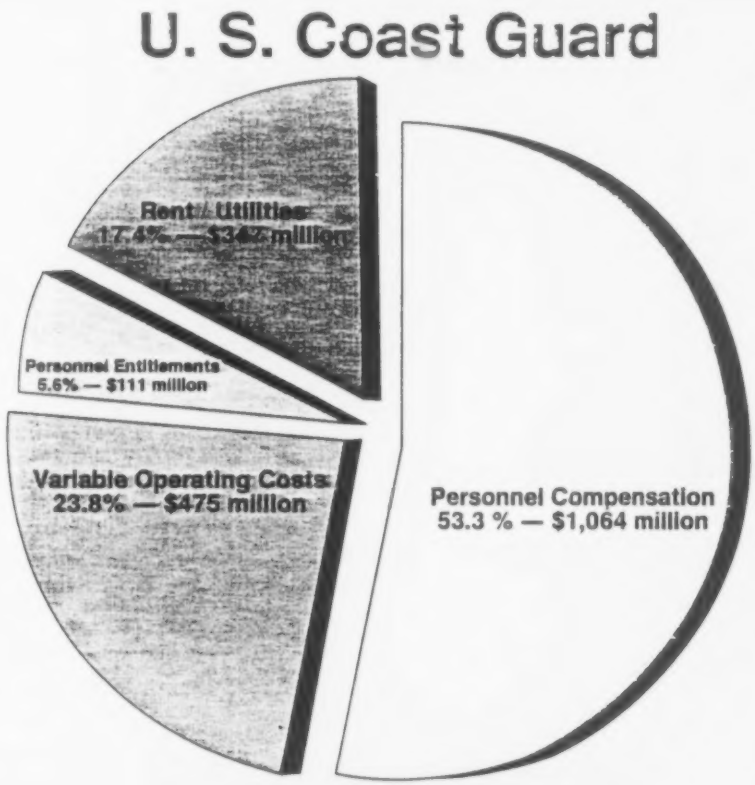
GRAPH 3

U. S. COAST GUARD

I would now like to show you why the funding shortfall this fiscal year causes severe problems for us. Graph 3 spells out our fixed versus variable costs. As you can see, because we are a people intensive, operational agency, over 50% of our funding pays for our personnel. Roughly 17% pays for rent, telephones, utilities, etc... those expenses necessary for our people to function. Personnel entitlements such as medical care for service members and their dependents, workmen's compensation, etc account for another 6%. In total then, our fixed costs make up over three quarters of our budget. That leaves us with less than 25% which we can define as variable operating costs. These are the costs which in the short term we have to look at when we have a funding shortfall.

The reason for this is that when we close or decommission a unit, the costs associated with these actions often equal or exceed the first years savings...particularly when we initiate them well into the fiscal year. Our best estimate is that the closings, decommissionings and other permanent reductions that I have announced will net me less than $8 million dollars this year.

Let's take a look now at these variable costs in Graph 4.



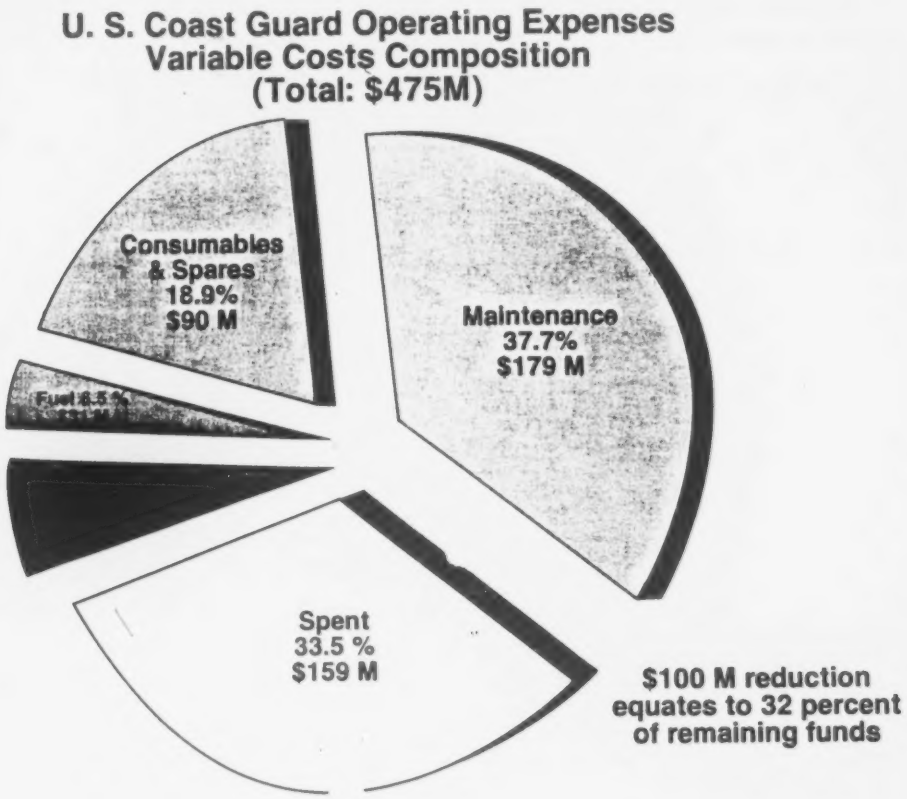
GRAPH 4

U. S. COAST GUARD OPERATING EXPENSES
VARIABLE COSTS COMPOSITION

Graph 4 depicts a breakdown of the variable cost category. Specifically, this fiscal year we received our appropriation at the end of the first quarter. Even though we were conservative in our spending in anticipation of deficit reduction, we had already spent $159 million.

Having spent $159 million of the $475 million available, we were left with absorbing an approximate $100 million shortfall in the variable cost categories that you see: Maintenance, Consumables and Spares, Fuel and Training...of which the remaining balances total approximately $300 million.

Perhaps this graph depicts better than words, the tough decisions I was forced to make regarding "squeeze down - slow down" in all operations and cuts / closings in a number of operating units. In other words, it is from these "variable" cost categories that I had to make up almost all of the $103 million dollar shortfall which I have this year.


U. S. Coast Guard Operating Expenses
Variable Costs Composition
(Total: $475M)
Consumables & Spares 18.9% $90 M
Maintenance 37.7% $179 M
Fuel 8.5 %
Spent 33.5 % $159 M
$100 M reduction equates to 32 percent of remaining funds

USCG OPERATING EXPENSES
FY–1988 versus FY–1987

($ millions)

FY–88 vs FY–87 Appropriation (incl DOD support)	
$1,897M vs $1,906M	– 9
R&D Sonar Project (Cong'l Mandate)	– 5
Built in Changes to the Base	– 15
Federal Employee Retirement System	– 5
New FY–88 Starts	– 22
Increased Capability	– 16
Dollar Devaluation (e.g., aircraft parts)	– 17
FY–88 Pay Raise (3/4 year)	– 14
TOTAL SHORTFALL : FY–1988 vs FY–1987	– 103

U. S. COAST GUARD

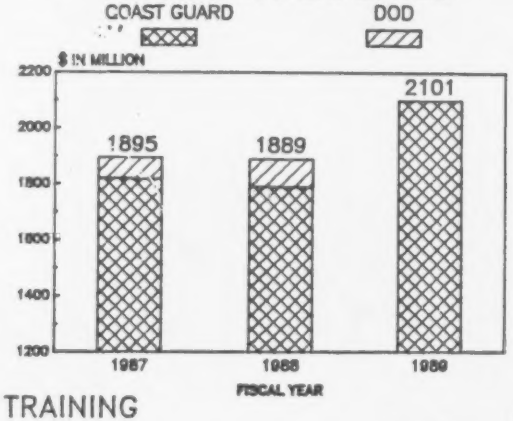
FY-1989 BUDGET REQUEST

(a graphic explanation)

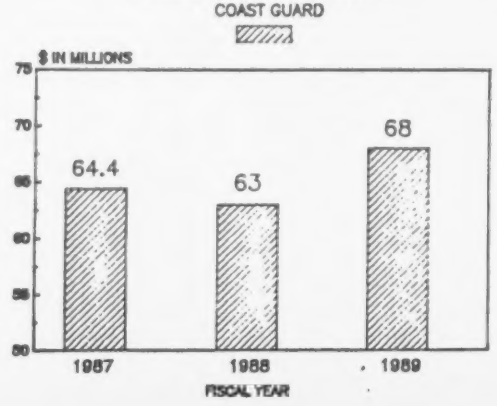
8 MARCH, 1988

COAST GUARD – FY 1989 BUDGET
SUMMARY OVERVIEW

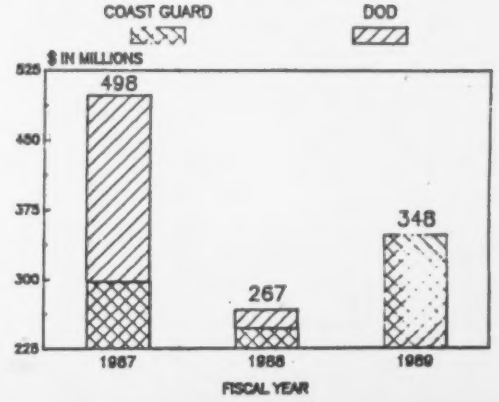
OPERATING EXPENSES



RESERVE TRAINING



AC&I



GRAPH 1

SUMMARY OVERVIEW

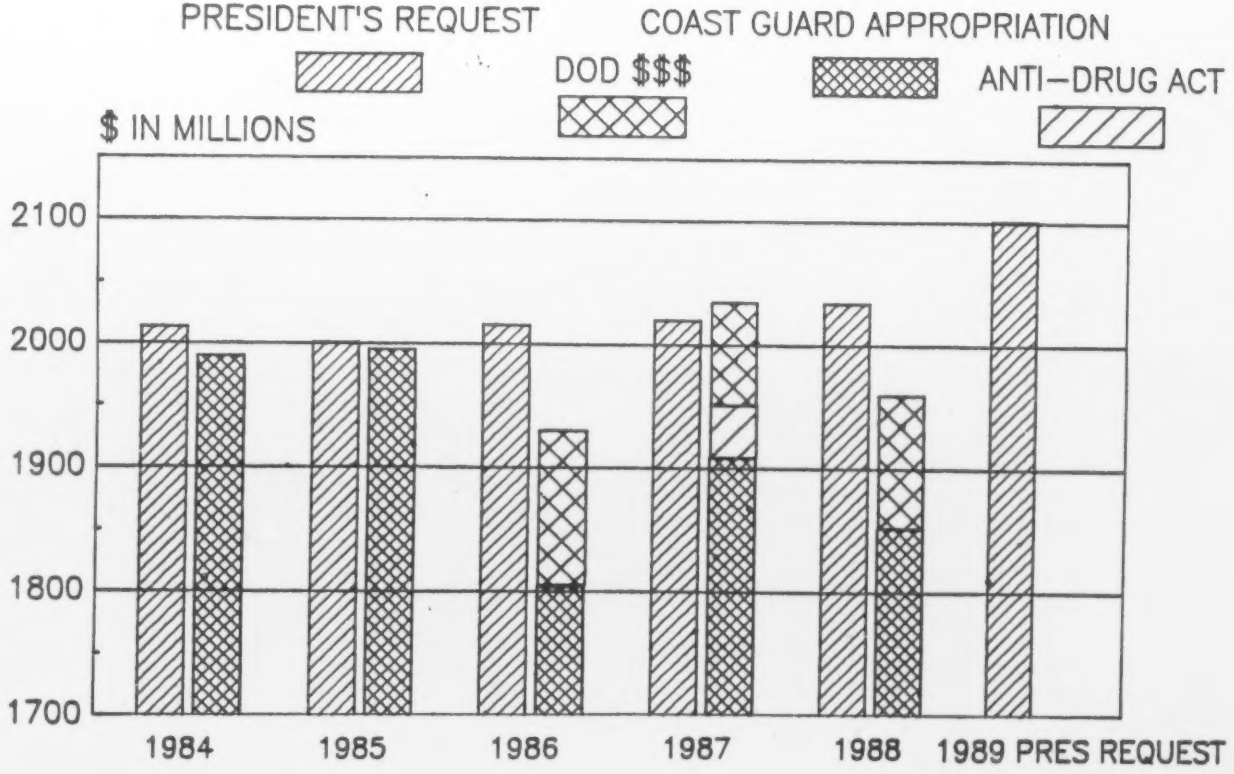
These graphs show how the President's FY-1989 Budget Request for the Coast Guard will reverse the downward trend in funding our three principal accounts.

Operating Expenses: As you can see, the FY-1988 funding level is below that of FY-1987 despite inescapable, significant increases in the cost of doing the Coast Guard's business and despite sharply expanding responsibilities in Drug Interdiction. The FY-1989 Budget Request will restore $100 million taken from the Coast Guard's operating base in FY-1988 to offset one-time DOD assistance, and will provide enough funding and personnel to fully operate all Coast Guard facilities.

Reserve Training: The net $1.4 million decrease between FY's 1987 and 1988, when combined with the effects of pay raise and cost of living shortfalls, required a 750 person reduction of the Coast Guard's Selected Reserve strength. This left our Reserve force at the 12,000 level. OUr FY-1989 Budget Request will allow a growth of 1,000 Selected Reservists to reach a force of 13,000.

Acquisition, Construction and Improvements (AC&I): Even when additional funding from DOD is considered, FY's 1987 and 1988 AC&I levels have been sharply below the $500-600 million the Coast Guard needs to maintain its physical plant. The FY-1989 Budget Request will move the Coast Guard back toward needed AC&I levels, but will still provide only for continuation of existing multi-year projects and minimal renovation and replacement projects.

COAST GUARD – FY 1989 BUDGET
OPERATING EXPENSE APPROPRIATION
1989 CONSTANT DOLLARS



GRAPH 2

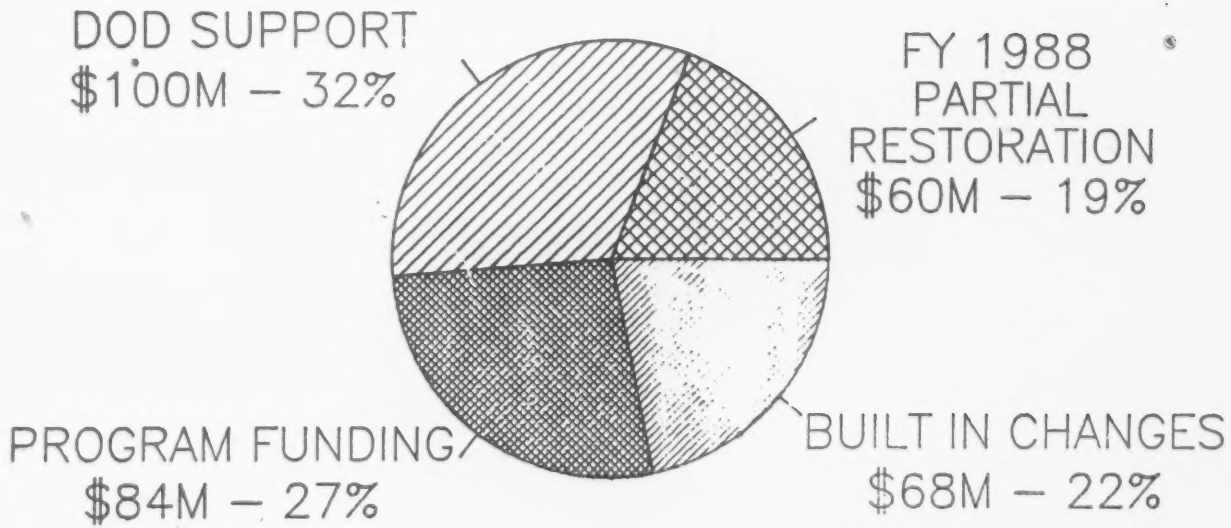
OPERATING EXPENSES APPROPRIATION

This graph shows what has happened to the Coast Guard's Operating Expenses budget since 1984. Using 1989 constant dollars, you can see that the Coast Guard actually has less purchasing power in 1988 than it had in 1984 or 1985. This is so despite the fact that, as you know, the Coast Guard has had to expand its responsibilities -- most notably in drug interdiction.

This graph also makes clear two glaring patterns. First, you will note that each year the Coast Guard has been appropriated less funding than was requested by the President. Second, you can see that Coast Guard's funding has been supplemented significantly by DOD. Without these DOD supplements, however, the Coast Guard's funding problems would have been unfathomable.

Our FY 1989 request appears to request a significant increase in funding. However, this is easily misunderstood ... as we will see on the next few graphs.

COAST GUARD – FY 1989 BUDGET
OPERATING EXPENSES



TOTAL CHANGE – $312M

GRAPH 3

OPERATING EXPENSES REQUEST

This graph and the next categorize the nature of our FY-1989 Operating Expenses budget request.

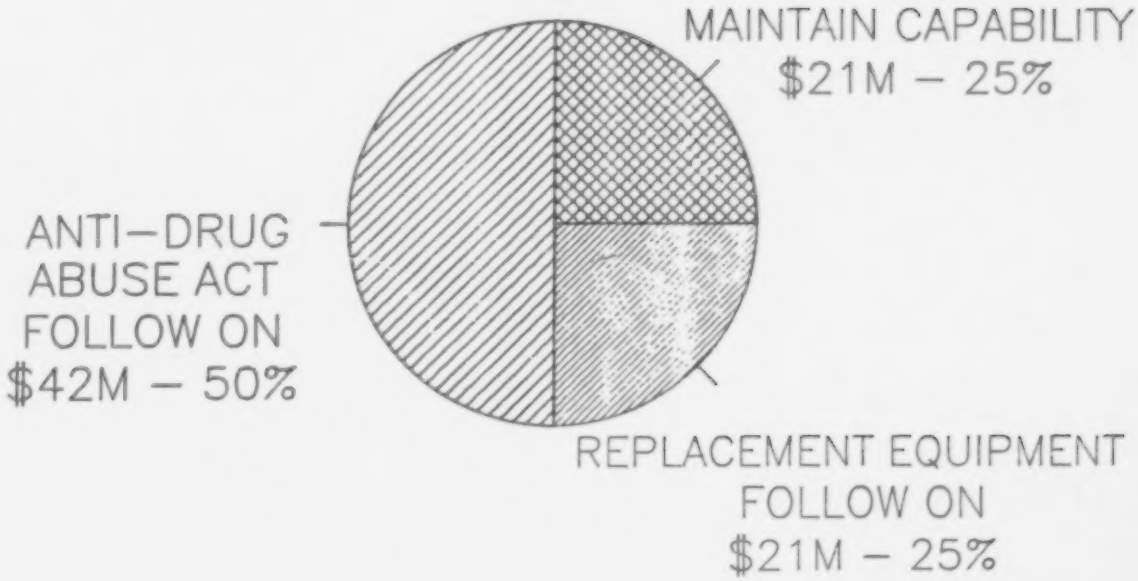
Restoration to our base of the $100M "support-in-kind" received from DOD this year makes up almost one-third of the requested "increase." Likewise, another 19% is just to partially restore the FY-1988 reduction. Finally, built-in-changes such as pay raises, cost-of-living increases and other costs of doinng business make up another 22%.

So, as you can see, although our request is for $312 million more next year, this number is easily misunderstood. In fact, only 27% ($84M) of that requested increase is for anything that could possibly be interpreted as "new".

As we'll see on the next graph, even that "new" portion is really mostly nothing new at all.

COAST GUARD – FY 1989 BUDGET
OPERATING EXPENSES

PROGRAM FUNDING



TOTAL – $84M

GRAPH 4

OPERATING EXPENSES ... PROGRAM FUNDING

Fully three-quarters of the $84 million increase requested for programs initiatives is funding to operate new equipment that has been acquired as a result of either past capital budgets or the 1987 Anti-Drug Abuse Act. In fact, these requirements are ones that have been planned for a long time.

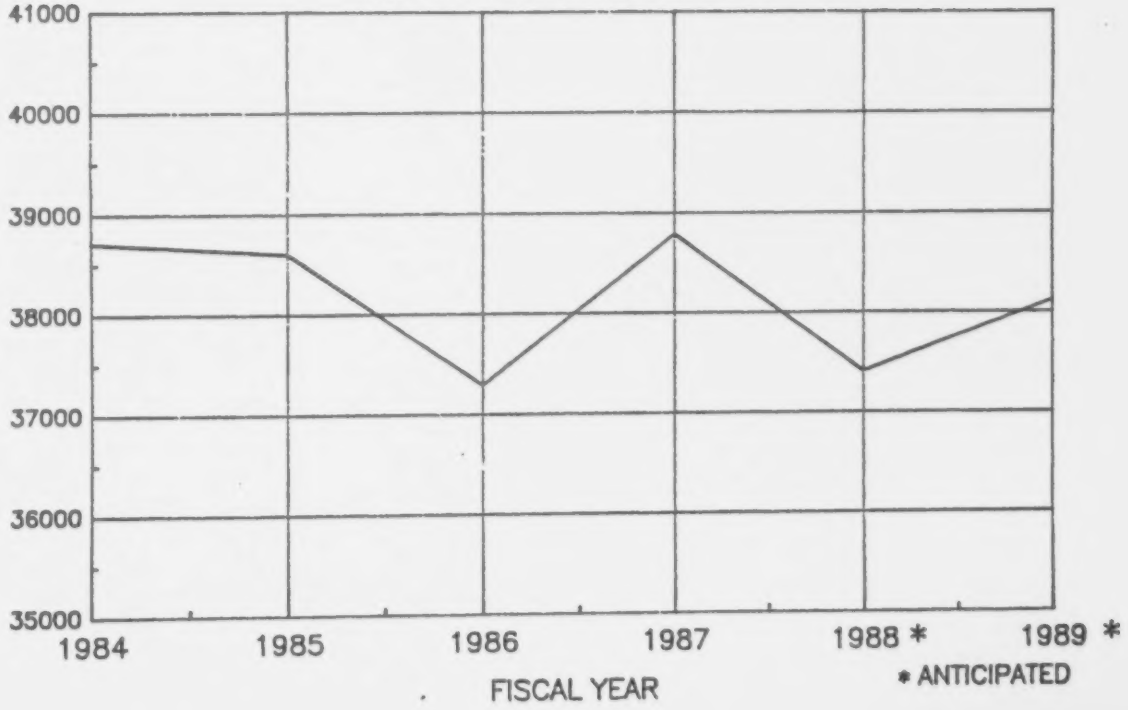
This leaves only the last $21 million ... and that is badly needed to restore or maintain the Coast Guard's existing programs and facilities. This includes funding for increased ammunition and pyrotechnic consumption due to our greater training and operational requirements associated with our expanding drug interdiction role and military readiness responsibilities. It includes some funding relief for our military health care program where radical inflation rates have been the norm for some years now. It provides personnel and funding to continue our multi-year, phased rescue swimmer program as directed by Congress. It will allow us to start addressing the Coast Guard's own growing environmental compliance responsibilities. And, it requests some funding relief for our shore plant which continues to deteriorate, in fact at an accelerated pace due to a lack of maintenance and rehabilitation which was partially a result of the "slow-down / squeeze-down" we had to impose on maintenance in two of the last three years.

So, as you can see, there's really nothing new ... no real growth ... no fat in this budget request. This funding "increase" in our Operating Expenses budget is requested just to stay even ... just to continue to do the tasks already assigned to us.

COAST GUARD – FY 1989 BUDGET

END OF YEAR STRENGTH

MILITARY PERSONNEL



GRAPH 5

MILITARY PERSONNEL
(END OF YEAR STRENGTH)

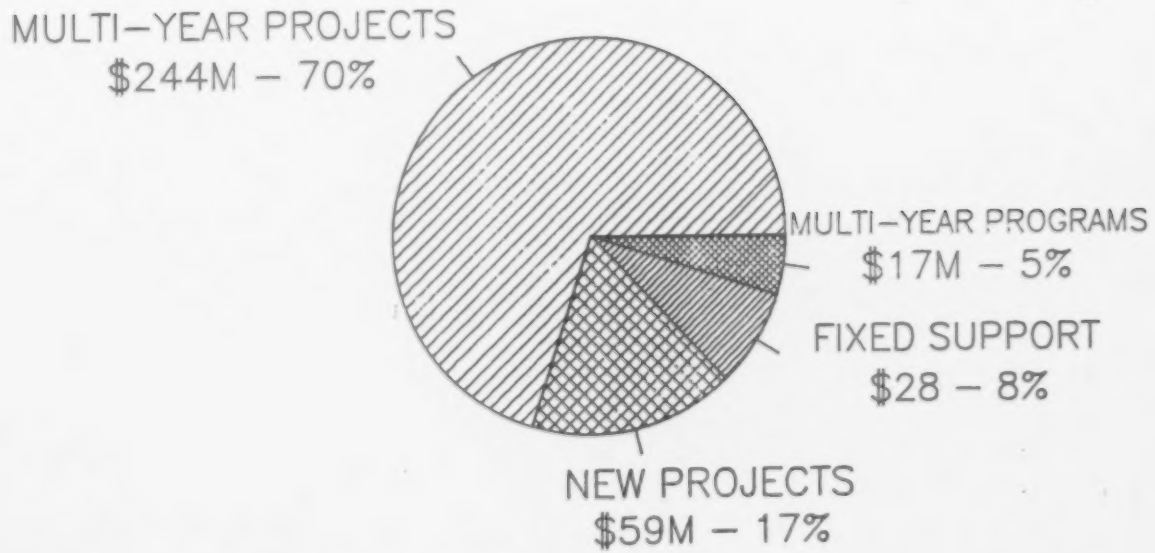
This graph demonstrates how the instability in the Coast Guard's budget over the last several years has been mirrored in it's personnel levels.

The Coast Guard is a true "operating agency', and over 60% of our operating expense budget is dedicated to personnel salaries and compensation. Therefore, significant budget reductions such as those of FY's 1986 and 1988 require commensurate reductions in personnel levels. As much as we hate it, we have no other fiscally responsible option.

These personnel reductions have not been easy to take at a time of growing responsibilities in drug interdiction and a time when we are bringing on major new assets funded by earlier AC&I budgets. The reductions shown on this graph would have been significantly worse if it weren't for numerous management efficiencies we have put in place over the last several years. In particular, our FY-1987 realignment of field maintenance and logistics support saved over 400 billets many of which were used to crew new assets in the drug interdiction program.

This roller-coaster ride of personnel and funding levels has had a less than positive effect on the morale of Coast Guard men and women. Continued threats of budget cuts and the constant need to absorb new missions and responsibilities within existing resource have led many of them to doubt the future of the Coast Guard ... or to question their individual futures within it.

COAST GUARD – FY 1989 BUDGET
AC&I APPROPRIATION



TOTAL REQUEST – $348M

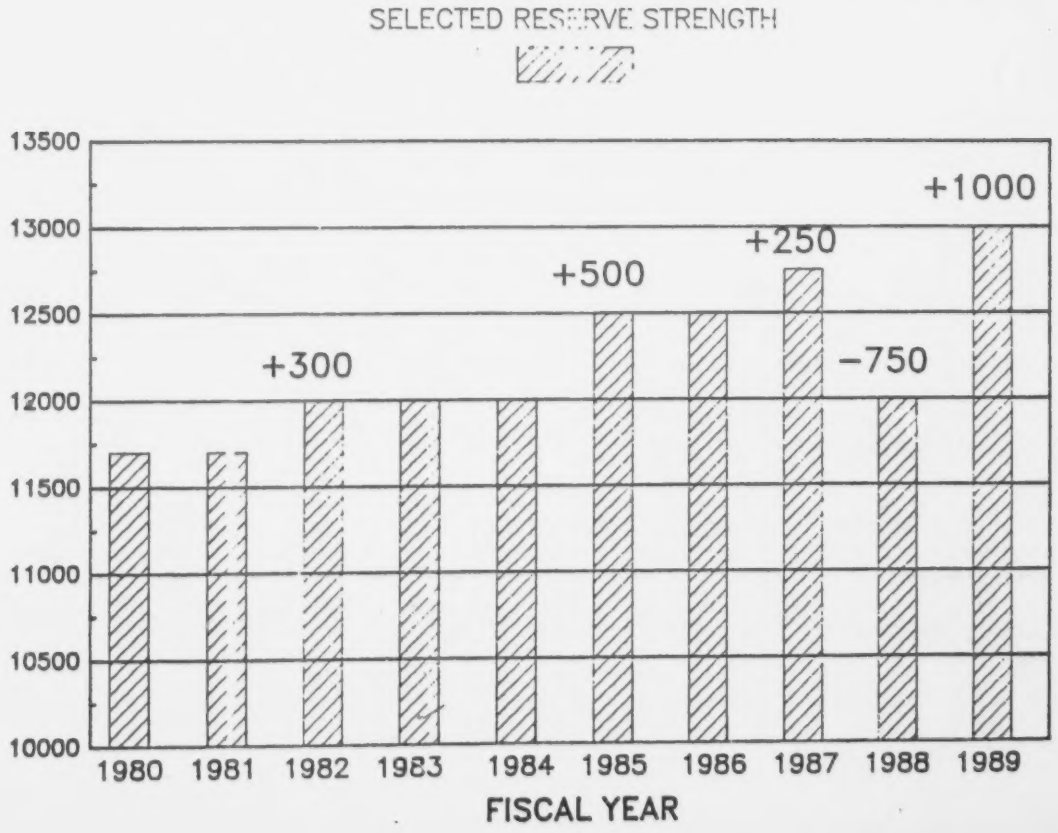
GRAPH 6

AC&I APPROPRIATION

As this graph illustrates, our FY-1989 AC&I request is mostly driven by large, on-going, multi-year projects such as mid-life major maintenance and rehabilitation of our 210- and 378-foot cutters. In fact, after consideration of personnel related costs and multi-year needs like housing, fixed requirements consume all but 17% of our AC&I request. Even that "new" 17% is mostly earmarked for renovation or replacement projects.

The total request of $348 million is well below the capital investment of $500-600 million required to maintain the Coast Guard's physical plant. However, it is a distinct improvement over the last two years ... a modest request in recognition of our overall budget pressures, but moving us back toward a level more consistent with our real needs.

SELECTED RESERVE STRENGTH



GRAPH 7

SELECTED RESERVE STRENGTH

As a result of the FY-1988 budget shortfall in our Reserve Training account, we were forced to reduce the Reserve strength by 750 to 12,000. The budget before you allows for Selected Reserve growth of 1,000 ... to the 13,000 level. The Coast Guard and its Selected Reserve must grow and be properly funded if we are to meet our defense responsibilities.

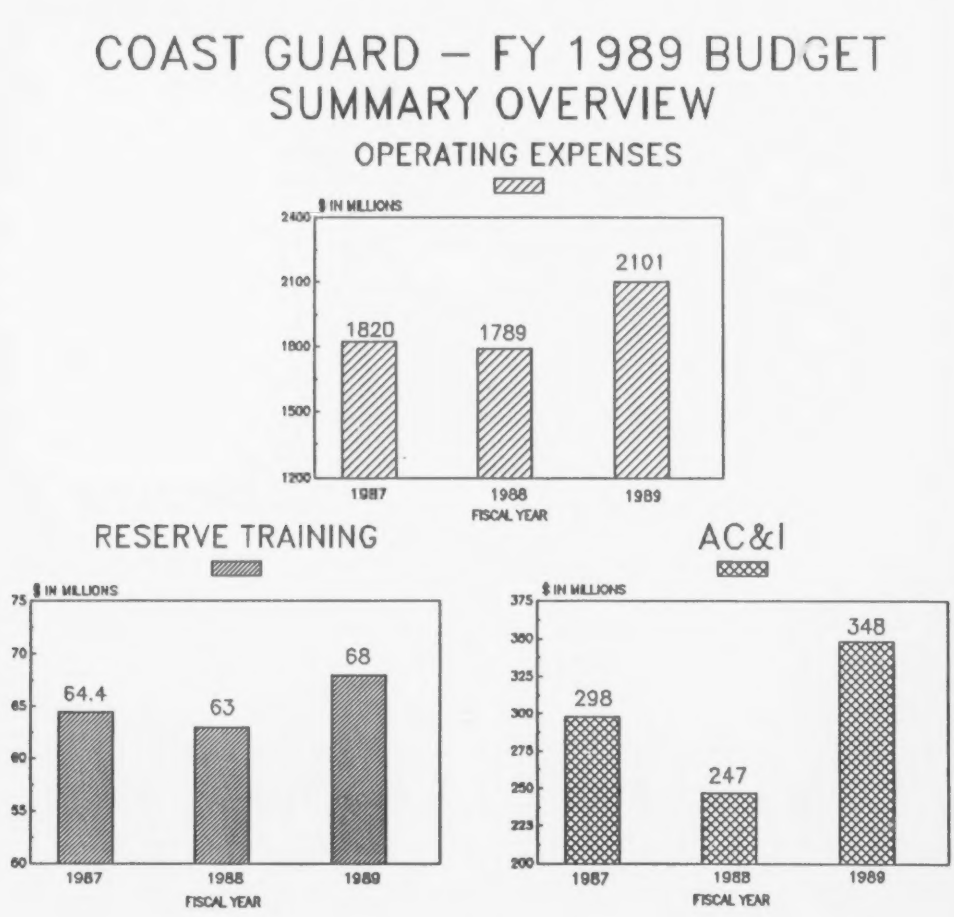
Senator LAUTENBERG. The budget summit agreement contemplates an overall fiscal year 1989 increase in domestic discretionary appropriations of about 2 percent. A 2-percent increase in your operating budget over the fiscal year 1988 level, including your supplemental, would provide about $1.94 billion.

Now, that would be an increase of $39 million over the enacted fiscal year level for 1988. How would this level of funding affect your operations, and how would you adjust to it?

Admiral YOST. Mr. Chairman, what I would like to do is run through a couple of visual aids to answer that question, if you would permit that, sir.

Senator LAUTENBERG. Sure.

Admiral YOST. Let us do the 1989.

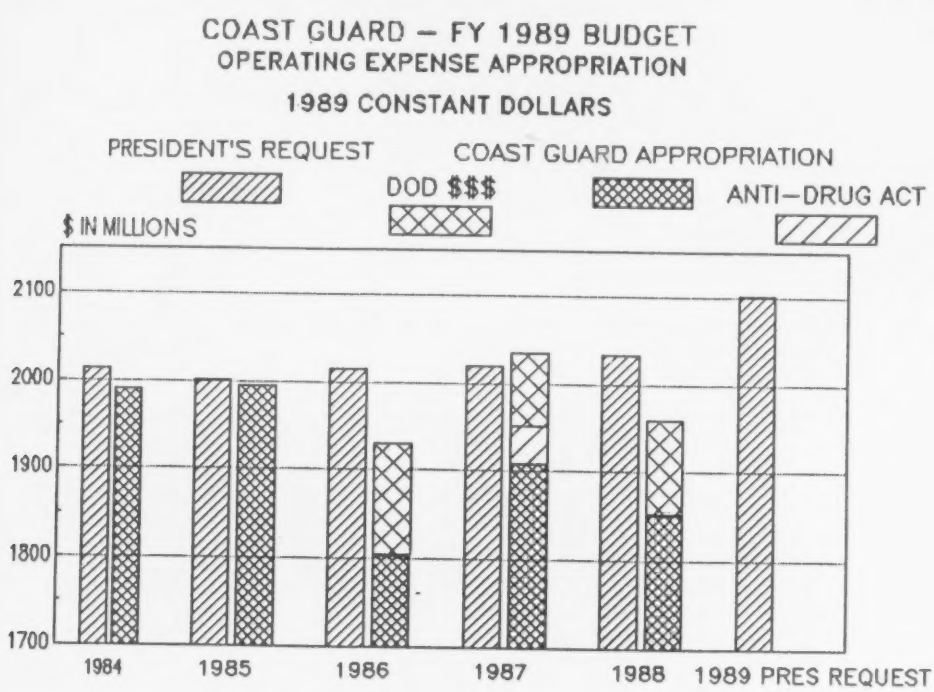


FISCAL YEAR 1989 BUDGET REQUEST

Admiral YOST. Mr. Chairman, this is a summary of our 1989 budget request. It basically shows what has happened between 1987, 1988, and our requested funding for 1989 in the three major appropriation cate-

gories, which are Operating Expense, Reserve Training, and Acquisition, Construction and Improvements.

It will show you that our 1988 to 1989 Operating Expense is slightly increased, and we have about level funding in Reserve Training, and somewhat less than level funding in our AC&I.



OPERATING EXPENSES

Let me have the next graph.

This shows our Operating Expenses in constant dollars since 1984, and what it shows is what was requested in the President's request, and what was appropriated in the Coast Guard appropriation. All went relatively well until 1986.

In 1986 there was a major decrease in our Coast Guard appropriation. Department of Defense [DOD] dollars came in to make up some of that, but we still had a major hole in our budget.

Having faith that somehow we would recover in the next year, we cut no Coast Guard units, but we did cut back on our maintenance, our spare parts, and our shore plant upgrading. That brought us into 1987, and all was well in 1987, not because of the Coast Guard appropriation, but because on top of the Coast Guard appropriation there was the Anti-Drug Abuse Act of 1986, and again DOD funds came in to make up something slightly above the President's request, most of that increase was because of the Anti-Drug Abuse Act.

That takes us into 1988, and 1988 was a disaster for us. You see we had a very low appropriation that was augmented by $103 million from

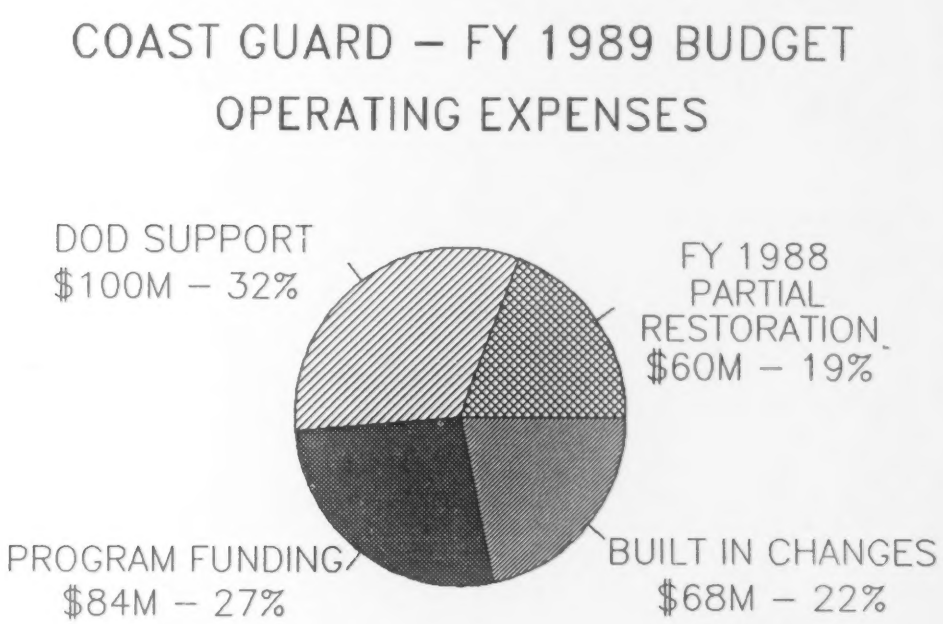
the defense appropriation. That defense appropriation was "in-kind." It was equipment that we drew, not money that we got.

We were no longer able to draw down our maintenance and our spare parts. So this year, instead of trying to bridge over by drawing down maintenance and spare parts—there was no fat left—we basically had to cut down, cut out by decommissioning Coast Guard units cutting back our patrols, including drug patrols by 55 percent, in the expectation and hope that two things would happen:

One, we would get a $60 million reprogramming, and that was passed—that was marked up, I am told, in the House subcommittee yesterday for $60 million.

The second thing that we had hoped was that, in addition to that $60 million reprogramming, by closing a number of Coast Guard units we would be able to bridge through until 1989.

That takes us to our 1989 request. Would you give me the next chart?



We have asked for a total change in 1989 of $312 million above the 1988 levels. Now, where that leaves us, you see the DOD support that has to be accommodated in this budget. We got it last year, so in order to accommodate it this year we need that $100 million.

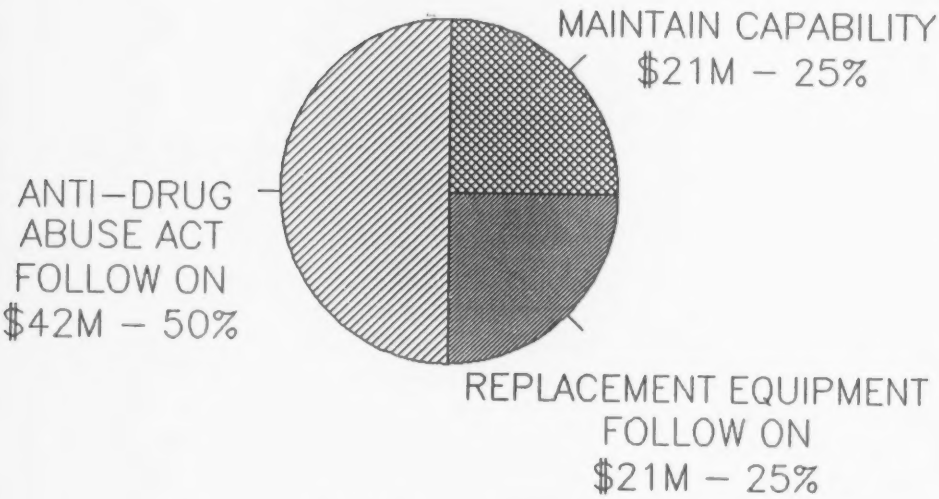
You see the $60 million that we have, that the President has asked to be reprogrammed and was marked up yesterday in the House in a favorable manner. So that is half of the increase that we are asking for from 1988 to 1989.

The rest of it is made up by building changes—those are things I will discuss in a minute—things we had no control over such as pay raises enacted by the Congress—we are delighted by that, but nevertheless they are entitlements—and other entitlements we have to provide for.

And the second piece of the increase is program funding, and I will talk about that in detail. In other words, of that $312 million I asked to be increased, the only thing that I have any real control over is the $84 million program funding, which I want to discuss.

COAST GUARD – FY 1989 BUDGET
OPERATING EXPENSES

PROGRAM FUNDING



TOTAL – $84M

That $84 million in program funding, half of it is the follow-on that I need to operate the equipment provided by the Anti-Drug Abuse Act of 1986. It is equipment, E–2C aircraft and that sort of thing, Falcon HU–25A aircraft, that were provided by that act and which I have the choice of either operating or leaving idle. So fully 50 percent of it I need to operate that equipment.

In the maintain capability category are those programs that have been started. The rescue swimmer program, there is a little money for it in there. That is in Phase IV now, swimmers at our air stations, who save lives by jumping out of helicopters to distressed people in the water.

There is also money to enforce the pollution treaty that we have signed internationally, the very thing that is affecting the coast of New Jersey and other coasts. We need a little money to enforce that new treaty.

A little money for shore facility rehabilitation, including our major problem at Cape May, NJ, which both you and I agonize over, sir, and it needs to be addressed.

A little defense readiness money; some money to accommodate the increased contract health costs that we are feeling in the Coast Guard along with every family in the nation and a small amount for ammunition.

That is the total increase, the effective increase that we are asking for in this budget, about $21 million. The rest of it we have no control over.

Well, the follow-on equipment, I could talk about that. That is to operate the new helicopters that were bought in previous years. It is to operate the 378-foot cutters [WHEC] that are coming off the ways now after their Fleet Rehabilitation and Modernization [FRAM]. They take more people. They have more equipment.

The new 110-foot patrol boats [WPB] that are coming off the ways, and the 270-foot vessels [WMEC] that are coming off the ways—all purchased before, but now that they are coming off the ways we have to operate them. I need fuel, spare parts, and people.

So the only thing that I am asking for that is not dictated, so to speak, sir, is the $21 million in maintaining capability.

That was a very long-winded answer to a very simple question.

COAST GUARD SUPPLEMENTAL

Senator LAUTENBERG. Well, it is important to take a look at how these things are portioned. I do have to point out to you that, in other similar hearings, we find ourselves dealing with the budget summit problems and the deficit problems, and we are trying our best. But it is very helpful to be able to see exactly where the funds are going.

The Department has requested a $60 million supplemental for the Coast Guard. It will be offset by a number of transfers and reductions in other programs because of the budget summit agreement.

I understand now that it is questionable whether these offsets will, in fact, achieve the needed outlay savings. Can you restructure the request in any way to reduce any of the costs involved? Can you control the rate of expenditure of these funds with the supplemental to move these funds any further into next year?

Admiral YOST. Yes, sir, we can. I have said both to the House and would like to say to your committee, if we get the $60 million reprogramming we would be very receptive to instructions and guidance from the committee on outlay rates.

And we can manage those outlay rates in a reasonable way, and would be happy to receive your guidelines in that matter. I would say, on the House side yesterday $24 million of the $60 million they reprogrammed came from Coast Guard funds.

They reprogrammed—the markup proposed $60 million from various accounts—$8 million from our Research and Development [R&D] account, $8 million from our AC&I account, and then another $8 million

from the various pollution funds that we have. That is, $24 million out of the total $60 million came from inside the Coast Guard.

Senator LAUTENBERG. We have been joined by the distinguished ranking member of the Appropriations Committee, a colleague and a friend, with whom I share a common agenda on many issues. And what I wanted to do, Senator Hatfield, was to continue with a little time cycle here.

And if you have the time, I would ask if you could just bear with us and let us kind of develop the process here, and then I would be happy to call on Senator D'Amato and then yourself.

Senator HATFIELD. Thank you, Mr. Chairman.

COAST GUARD TRANSFER

Senator LAUTENBERG. S. 2205, the Omnibus Anti-Drug Abuse Bill, contains a provision transferring the Coast Guard to a new Office of Enforcement and Border Affairs in the Treasury Department.

Now, you have indicated that you are against having the Coast Guard transferred to the Treasury. However, as you heard earlier, some of my colleagues seem to think that you really favor such a transfer, but are being kept quiet by the administration.

It is important to set the record straight on this. I would ask you to tell it like it is. What do you think the prospects are of transferring the Coast Guard to Treasury—and if the prospects are good, what does it do for you, if that is what you want?

Admiral YOST. I think we have two completely separate issues here. The first is where the Coast Guard could best be administered and best be operated in this cabinet level government. The second issue is where the Coast Guard can best compete for funding in the budget system that we have in the Congress. I think those are separate questions.

I would say unequivocally that the Coast Guard's missions more closely match the Department of Transportation than any other cabinet level department. Fully 79 to 80 percent of our missions fall directly within the Transportation responsibilities.

About 21 percent of our missions fall within Treasury. The things that do not fall within Transportation, the Department of Transportation, would be fisheries enforcement and our defense mission. Neither one of those fall neatly within Transportation.

The things that fall neatly within Treasury are really our law enforcement mission. Everything else—search and rescue, aids to navigation, marine safety, boating safety, fisheries enforcement, et cetera—do not fall within Treasury at all.

If you look at DOD, only about 5 or 6 percent of our total mission falls within DOD. That is defense readiness. So, since it is unlikely that we are going to have a different structure at the cabinet level, it is obvious to me and unequivocally that we fit best within the Department of Transportation as far as administration goes.

Now, as you know, Mr. Chairman, we have had a very difficult time competing in the budget system under Function 400, because within

Function 400 and within this subcommittee all of the mass transit programs reside, and there is a difference in opinion between the administration, apparently, and the Congress, all above my pay grade, at what level mass transit should be funded.

But that argument ends up in my simplified view as hurting the Coast Guard's budget year after year after year. So I do not know how to solve that problem. If I were asked in a simplified manner, I would say I want to be under budget function 1790, and you would say: "Admiral, what is budget function 1790? I never heard of it."

And I would say, budget function 1790 is a new budget function that I just invented. It is named after the year of the birth of the Coast Guard. Alexander Hamilton established us in 1790.

It has a good ring to it. There is nobody else in it. I do not have to compete with mass transit. What subcommittee would handle 1790, I do not know, but if it would be this subcommittee I would love to have a promise from you that 1790 would be fenced off and you would never move any money from 1790 into Function 400.

Now, I do not think that this Senator needs this kind of instruction from the Commandant of the Coast Guard, but you asked, sir, and I have done my very best to tell you what I would like.

Senator LAUTENBERG. Admiral, we could have a nice discussion here. By the way, I have a list here on computer paper of all the departments that would like to have their own functions and be able to fight their own budget battles, including education, research for cancer, supercolliders, AIDS assistance, all of those things.

Unfortunately, you and so many other vital departments of government are stuck with a process that does not always allocate the funds as some of us would like to see. I can see, for instance, some reduction in health for some of the projects in the more rural states, some of the agricultural things. I might even have a colleague here who would agree, but I sure have a lot who would disagree. So that is kind of an exercise.

And separating yourself off isn't going to guarantee anything, Admiral. It is going to guarantee it with friends like me and with Senator D'Amato and with Senator Hatfield. You are going to continue to get a precious but small share of the budget of the country because of the job that you have to do.

And we are going to fight, because you are constantly pressed—this is the thing that annoys me—constantly pressed to do more. And then we watch the ballgame being played as mass transit and the other things are pointed to as the culprit.

That is an ideological battle. This Senator has nothing to do with the financial structure of this budget. When I look at what is happening—highways are down $600 million based on this summit reduction. Amtrak is down $24 million, and they continue to earn more of their money in the fare box. Senator D'Amato and I both have a deep and abiding interest in Amtrak.

The committee does not have to hear it. The clock is obviously not working. The chief clerk is not a good timekeeper here. So I am going to turn to Senator D'Amato.

Senator D'AMATO. Well, Mr. Chairman, the ranking member, Senator Hatfield, has a limited amount of time, and I would certainly yield to him.

Senator LAUTENBERG. We will give you back your time. Thank you.

RESULTS OF BUDGET CUTS

Senator HATFIELD. First, I would like to thank the chairman and the ranking member for their courtesy.

Admiral, I am happy to welcome you to our appropriations hearings as well. Admiral Yost, we have all been aware of the cuts suffered by the Coast Guard, and it has been a very difficult year, not only for the Coast Guard but for a number of other agencies of our government.

I for one am very anxious to continue my support to the Coast Guard, particularly for your interdiction activities in trying to bring drugs under control in this country, and for your search and rescue programs. The lives that you have saved off the Oregon coast alone justify not only the existence, but the expenditures of the Coast Guard.

Now, I would like to take the drug problem for just a few moments. I received a letter from Vice Admiral Costello the latter part of February this year in which he stated that the Coast Guard suffered about a 55-percent reduction in your resources as it related to the Pacific area.

And Vice Admiral Costello wrote, and I would like to quote his words: "Those who would violate our laws can do so with an order of magnitude of less risk," relating back to these cuts that had occurred.

He goes on to say that cuts in search and rescue "will mean longer times to arrive on the scene, and in turn this can be directly equated to lives not saved and property lost."

Do you agree that the cuts made earlier this year will result in more drugs into this country and more lives lost in the boating accidents?

Admiral YOST. I agree with Admiral Costello that the reduction that we have made in our patrols, both drug patrols and search and rescue patrols, and the cutbacks we have made in our stations along the coast will provide somewhat more risk to those eventualities that you have discussed, sir.

Senator HATFIELD. Admiral, do you also agree that the drug traffic in this country poses a threat to national security? Especially if I were to ask that question in the context of President Eisenhower's view of national security being made up of many components—when he announced his program to establish the interstate highway system, he announced it as a system of national defense, because a strong infrastructure was as vital to our national defense as many other components, like education.

When he announced his education program, it was a national defense program.

Within the context of your view of national security or President Eisenhower's view of national security, do you agree that when we talk about the war on drugs we are talking about something that does affect our national security?

Admiral YOST. There is no doubt in my mind that one of the greatest threats that this country faces in its national security, its economy, the viability of its youth, the viability of many of our allies, and our own governmental institutions even, are threatened by the drug abuse and the drug smuggling into this country.

Certainly it is a national security issue. The President himself has so declared it.

Senator HATFIELD. Admiral, will you repeat again the figure that the fiscal year 1989 request is for drug enforcement?

Admiral YOST. The 1989 request contains $492 million for drug interdiction.

Senator HATFIELD. Is that adequate?

Admiral YOST. I guess you have to look at not only the threat, which we have discussed, but how much of that threat you are willing to spend the national resources to oppose. I think it is adequate when taken into the context with the supply side and demand side program that the administration has.

It is the President's budget. I fully support that budget.

Senator HATFIELD. I understand that.

Admiral YOST. We could use more. We could always use more.

Senator LAUTENBERG. If I could just amplify for a moment, I think, Senator Hatfield.

Senator HATFIELD. Sure.

Senator LAUTENBERG. What percentage of the drug flow do you think you interdict coming in from the seas?

Admiral YOST. I am guessing, and it may sound facetious. I do not mean it that way. The drug smugglers do not send us an invoice, so we do not know what they are sending, so it is hard to get a percentage. But my best guess is we are getting somewhere around 25, maybe a little more, percent of the marijuana; we are getting 7 or 8 or 9 percent of the cocaine.

Senator LAUTENBERG. Is that Coast Guard?

Admiral YOST. That is total. That is Coast Guard, Customs, DEA, FBI, and local sheriffs.

Senator HATFIELD. Admiral, I am not trying to build a case between you and the administration on the overall budget process. I am merely trying to get at a point, simple point. Would you feel that you could do a more effective warfare against drug imports if you had more men and more craft in order to accelerate your current policies?

Admiral YOST. Absolutely. Absolutely, I would. I have said that about the Anti-Drug Abuse Act of 1986. The items included were above the President's budget and I said we could use them and use them very effectively.

The ADAA, or the Anti-Drug Abuse Act of 1988, that is winding its way through Congress, contains assets that are well above the President's budget that I will say we could use very effectively.

But I also said that what the President has requested is an austere budget, but it is sufficient for my needs.

PATROL BOATS/PERSIAN GULF

Senator HATFIELD. I understand.

Admiral, as you probably know, I have been critical of our policy in the Persian Gulf. I think it is vital that we maintain the flow of oil through the Strait of Hormuz, and I am also aware that we are dependent for about 6.9 percent for our annual consumption from that particular source, whereas our western allies are about 45 percent dependent and our Japanese allies about 60 percent.

And my view has been we should have had a multinational effort there in the gulf.

But be that as it may, I have read the press and I would like to confirm something that was reported in the press following the possible policy shift, that Coast Guard units may be sent to the gulf by the administration. You are reported to have said: "If the President, the Chairman of the Joint Chiefs of Staff thinks those boats could be a help over there, I am more than delighted to send them, and my Coast Guard personnel are ready to go. Really raring and ready to go."

Is that accurate?

Admiral YOST. That is a relatively good quote. I think I said the President and the Chairman of the Joint Chiefs of Staff. I knew that they were two different entities.

In any event, let me discuss that if I may, sir, in somewhat more detail. I was distressed this morning to hear a U.S. Senator on the floor of the Senate discuss this issue and describe these boats as civilian boats, lightly armed, designed for law enforcement, being sent in harm's way.

And I thought, why did the U.S. Senator not check with me; I would have been able to tell him that these boats are military boats that have sailed with many, many navies in the world for the last 15 years, designed by Vosper Thornycraft of Great Britain as simply the best military patrol boats in the world, quite well armed, designed and trained for combat, bought by Coastal Defense Augmentation Account [CDAA] funds, defense funds, military funds, appropriated by this Congress, appropriated to the Coast Guard through the Department of Defense to buy these boats for military readiness.

Now, what I am saying is that I am a military force, one of the five military forces. I have 35 boats being built now, coming on line, 17 of them operational, that are simply the best patrol boats in the world and by far the best patrol boats in this country's arsenal.

They are bought by defense funds. I am a military force. I would be delighted, if those boats are needed by my Commander in Chief and the Chairman of the Joint Chiefs of Staff, to put them over there.

In addition, I would still be effective in managing the impact on our drug interdiction in the Southeast United States. I have one boat coming off the ways every 35 days. In 6 months, I would have replaced all six of those boats if six are sent.

In the interim, I would move other assets into the area. I would ask the U.S. Navy to provide more of their patrol hydrofoil missile [PHM] boats to me, which they have done. In fact, there was some discussion of whether the Navy would send the PHM's, four to six boats, over to the Persian Gulf, and it was decided—I think it may be decided that our patrol boats would be more effective.

If so, the PHM's, four boats, would be available for much of their time to help me in the Caribbean.

So we will have a minimum impact, that can be managed by the Commandant of the Coast Guard, on drug interdiction in the Caribbean.

Senator HATFIELD. Admiral, I appreciate your statement, but it does not clarify very much. Let me go back to the point of my question.

Admiral YOST. OK.

Senator HATFIELD. A while ago you indicated to me, in response to a question, that in facing the magnitude of the drug interdiction assignment that you have and in the budgetary constrictions, that you could use more men, you could use more craft.

I established the fact, I believe, that you have played a vital role in our national security and national defense over the years, and that the drug traffic is also a question of national defense.

Now, it seems to me that if there is going to be a deduction by the Coast Guard to send those craft and men to the Persian Gulf, then there is a way to try to supplement that reduction and offset it by transfers from the Navy or whatever other plan there is. We went through that discussion in the Congress with our armed forces not too long ago, indicating that the comparison between the Navy's capability and experience to handle drug interdiction and that of the Coast Guard brought the whole question down that the Coast Guard was better equipped, better experienced, and in a better position to wage that warfare on that one front.

Now, it seems to me that—and I hope that you have had the opportunity to talk to the Chairman of the Joint Chiefs of Staff and also to the President—if we are going to have to play this game of replacement and offsetting, we ultimately are going to come up with a minus factor.

Even your term "a minimal impact" would imply that there is going to be a diminishing factor by sending the Coast Guard into the Persian Gulf. I would hope that you would express to the President the serious offsets or the serious dimunition impact on the drug traffic.

As a former Navy man, I would hope that we have the capacity to handle the Persian Gulf; we had a high of 41 craft there last fall, even though our current level has been reduced. The Navy must be able to handle that without imposing added responsibilities upon the Coast Guard which is waging another war as vital, if not more so, to us in our national security as the war in the Persian Gulf.

And Mr. Chairman, I would like to also find out where the money is going to come from. I do not want to see this coming out of the Department of Transportation, because I have a great concern for other programs, as I know the chairman and the ranking member have.

So we then get into the funding program, getting back to your response to the chairman.

I just think that your enthusiasm in your response to the Commander in Chief was a little overstated in relation to the seriousness of the drug war that you are now conducting. And I think we have to maintain that perspective that this is a part of our national security and national defense.

And it should not be the other way around—I think it should be the other way around. I think, if anything, the Navy ought to be sending ships to you to supplement your warfare, than you sending your ships out to the Persian Gulf to supplement the Navy.

Admiral YOST. I think that we agree on much that you have said, sir. I have met with the Joint Chiefs of Staff. I do sit in the tank with the Joint Chiefs of Staff when they discuss something of interest to the Coast Guard. I have met at some length with them, including a meeting with the Commander in Chief of CENTCOM, Gen. George Crist, who has the responsibility for the Persian Gulf.

I would tell you that General Crist has been aboard one of these boats, has personally looked at it. So this is not an idea that just kind of generated off the top of somebody's head. This has been well thought out and well researched.

I said that it would be a minimal impact and a temporary impact on our drug interdiction in the Southeast United States. And you indicated that I had said it was a serious impact. It is not a serious impact. I would have to perhaps temporarily relocate some boats from other parts of this country for the 3 to 4 to 5 to 6 months before the new construction caught up.

Senator HATFIELD. From what programs, search and rescue? Drug interdiction?

Admiral YOST. Well, it might have to be search and rescue. It might have to be interdiction. But nobody has said that those two are national security issues, sir. That is what you asked me. Search and rescue is not normally a national security issue. Neither is pollution. Both very, very serious both my responsibility.

Third, you said where is the money going to come from? And you and I agree again, sir: None of that money in incremental cost in 1988 should come from the Transportation budget. And I have every assurance from the Chairman of the Joint Chiefs that money will be provided to pay all of the transportation costs and all of the incremental costs for this fiscal year for those boats in the Persian Gulf.

Senator HATFIELD. Thank you, Admiral.

Mr. Chairman, I will not take longer. You have been very generous with your time.

I only want to signal so that it will be clearly understood that search and rescue and these other assignments are vital to our country as well. Your committee may not be normally in the realm of national security, but drug interdiction, drug activity, is very definitely a national security issue.

And obviously, when we do not have enough now to do the battle, to have greater hopes of winning that battle, and we are now diminishing that effort, whatever minimal impact, it is a minus factor as I interpret it to go into the Persian Gulf.

And I am going to be very, very concerned about how we fund that activity. And I would be very anxious to make sure that my colleagues know that I for one am not going to see that military Persian Gulf being funded by the Transportation Subcommittee.

Admiral YOST. Thank you, sir.

Senator HATFIELD. I would even challenge that in the Defense Subcommittee, that it would be funded out of defense, because I do not think that it is a wise policy, when we have allies more dependent on that oil from the gulf than we are, and to put such a priority on that that we neglect or we do not wage full warfare, all-out warfare on the drug traffic.

To me it is a misstated position or policy, and the only way I have to fight it is through the funding. I want to say, Admiral, I am for the Coast Guard and I am for your commitments that you are into now. I certainly am not supportive of seeing you diminish or be watered down or in any way diverted from that warfare.

Senator LAUTENBERG. Mr. Chairman—Mr. Chairman. I am used to the old days, Mark, when you were the chairman.

Senator Hatfield, you express a concern that I too have. And I must tell you, Admiral, as part of the budget argument it does throw up a challenge, because you indicate that this minimum impact is something that you can digest. But also, you have a defense mission in protecting our coast line, do you not?

Aren't you the eyes and ears of our defense system on our own coast? You have the pollution problem, you have the navigational problem, you have all of these problems. And here we are discussing the budget, and what happens to the people you have to send, the men and women whom you may have to send out there?

Are they lying about in casual reserve, or are they busy? Are you stretched thin, as you portray when you discuss your budget? Are the resources taxed?

I mean, these are the questions. We are not discussing the policy per se in the gulf, though Senator Hatfield and I would once again agree. But we are facing a budget situation that looks like it has some more elasticity, I would have to tell you, than I thought originally, if we are ready to pack up and wave our boats and our people off to the Persian Gulf.

Search and rescue, all of these things—if you want to extend the definition of what constitutes defense, it is a pretty broad definition.

Admiral YOST. I feel there are some very strong positions being taken here, and I am a little reluctant to weigh-in further. So at some risk, let me say that I was concerned in January when I laid up 55 percent of my patrols, and yet I did not——

Senator LAUTENBERG. Were they discretionary patrols? Were some of those discretionary patrols?

Admiral YOST. They were drug patrols.

Senator LAUTENBERG. Were some of them discretionary patrols?

Admiral YOST. All discretionary, 100 percent discretionary.

Senator LAUTENBERG. Were some of those the cop-on-the-beat kind of thing? Hey, there is someone we ought to look at. Or were—are we protecting those that have a warning, those that have some indication of suspicion? Are we after those drug runners pretty aggressively?

Admiral YOST. We are operating on hard intelligence. We are sending boats and aircraft out always on hard intelligence.

What we have reduced was 55 percent of our drug patrols that were random patrols. I have enough ship hours and aircraft hours in the bank from that reduction that I could probably operate in the Persian Gulf for the rest of the year without overtaxing the force.

Senator LAUTENBERG. OK.

Admiral YOST. We are overblowing it a little bit, I think, and the positions we are taking seem to be very, very hard and rigid, and I would hate to see that this early.

Senator LAUTENBERG. Well, we will give it to Senator D'Amato, who always sits by so quietly. [Laughter.]

Senator LAUTENBERG. Senator.

Senator D'AMATO. Mr. Chairman, I have expressed to the admiral my concern with respect to this policy of using the Coast Guard in the gulf. I am not going to pursue that at this time.

I think that Senator Hatfield has expressed a number of concerns that not only he shares, but I share. I think—and again, this is well beyond the issue of the transferance of six craft and personnel to do a job that possibly these boats are better equipped to do than some of the craft that are there.

But I will tell you something. I think it is an incredible policy. We kind of bumbled our way into this. I do not think—and a number of us on the Defense Appropriations Committee went to that region, checked with the various nations, Kuwait, Oman, Bahrain, Egypt, Israeli as well, a diversity—I mention that.

And every one of them, some of them not liking or caring for each other too much, said, you cannot leave the region because indeed the Iranians pose a grave threat.

Having said that, this incredible policy of allowing the Iraqis to bombard ships in international waterways is ridiculous. You cannot countenance that. If we are saying that we are there to see to it that the international principles of freedom of navigation, nonmilitant freedom of navigation, be protected, then Senator Hatfield is right: a multinational force should have been developed, even under our overwhelming presence and leadership.

We should not have Iraqi planes flying over our warships. Half the time they pose a greater threat than the Iranians have. And I did not make that up. I get that from the commanders.

Whose missile was it that struck an American ship and killed 33 American soldiers? The Iraqis'. I do not know what the hell they are doing there anyway. They are off target. They fly these planes out there.

If we are going to have a real policy, then let us have a real policy. It is easy to pick on Khomeini. No one likes him. They all hate him. And so I am not saying that our striking of those platforms out there was not correct.

I will be doggoned if I want to see six more ships out there, with the Iraqis flying around, all kinds of crazy people running around with boats with no consolidated effort to really do something that is going to end that.

And I have received information from many, many of those leaders and diplomats who have indicated that, if we were to have a uniform policy to say that we are not going to tolerate these kinds of attacks in international waterways, whether it is the Iraqis or the Iranians, that if the Iraqis ceased and desisted, the Iranians would do so also.

Now, I am not pinning any bouquets on them. But it seems to me that this is an incredible thing we are doing. We are overtilting.

NAVY CONTRIBUTION TO LAW ENFORCEMENT

So Mr. Chairman, let me be more specific. I have a GAO initial draft of a report which I asked for as it relates to the law enforcement efforts from the military. According to that GAO report, which I received yesterday, the Navy contributed over 2,500 ship days to fiscal year 1987, to the law enforcement detachment program, along with Coast Guard personnel who were on board.

Now, this resulted in 20 vessels being seized, 110 arrests, 225,000 pounds of marijuana, and almost 550 pounds of cocaine were seized in fiscal year 1987.

Yesterday, however, though, I was informed by the General Accounting Office that in the first two quarters of this fiscal year the Navy reduced substantially the number of ship days it provides the Coast Guard for this program. And my question, Admiral: Is that true?

How does the Navy's contribution to the program this year compare with last year's contribution, and how has that affected the Coast Guard's drug interdiction efforts?

Admiral YOST. The Navy continues to provide a high level of ship days to the Coast Guard, something over 2,000 per year. Now, those ship days are scheduled at a scheduling conference with my area commander, Atlantic Area Commander. He sits down with the Commander in Chief of the Atlantic Fleet of the U.S. Navy and schedules those ship days.

How he schedules them, by quarter, by growing season, by shipping season, may vary as the threat varies. But I am not aware that there has

been a desire or a reduction in the provision of ship days by the Navy in the last two quarters particularly.

And if there has, it may not be significant. It may be more a scheduling problem.

I am well aware that the Navy has now decommissioned 16 frigates. Eight of those frigates are in the Pacific and eight are in the Atlantic. And we have received in the past a considerable amount of ship days from those eight frigates in the Atlantic.

The date that they will be decommissioned I do not have, and I am not sure that it is available, but it will be in the near future. And I would expect that that would tend to push down the number of ship days that the Navy furnishes the Coast Guard.

Senator D'AMATO. Well, Mr. Chairman, I think that is something we should be cognizant of. I would hope, Admiral, you could report to us and give us some kind of schedule, as to the numbers—now that those first two quarters are over—what the reductions were, how many patrols were affected.

And then if you could possibly give us a projection as to the future. I think that is imperative.

Admiral YOST. I would like to do that. We will get the GAO report. We do not have it. But even without that, I will respond to you on that matter.

[The information follows:]

Coast Guard operational statistics are reported by field units and compiled on a quarterly basis so complete information for the first 5 months of fiscal year 1988 is not available. First-quarter data has been received, but final auditing and processing of the information is not yet completed. However, the preliminary figures for Coast Guard operating hours for fisheries, drug law enforcement, and other law enforcement operations for the first quarter (October through December) of fiscal year 1988 are provided below:

	Fisheries	Drug enforcement	Other law enforcement
Cutter hours	6,153	35,852	4,184
Aircraft hours	566	5,200	465
Totals	6,719	41,052	4,649

We have, for the remainder of fiscal year 1988, had to cut back on operating hours by approximately 55 percent to remain within budgeted program hours. This will no doubt decrease boardings and seizures in traditional patrol areas. We will continue to respond to narcotics trafficking intelligence to the best of our ability.

In the Seventh District which includes the waters off Florida, the Bahamas, and the Caribbean, our marijuana seizures have dropped approximately 60 percent during February and March 1988 since the cutback took effect compared to the same months in 1987.

	Feb. 1987	Feb. 1988	Mar. 1987	Mar. 1988	Apr. 1987	Apr. 1988
Amount of marijuana (lbs.)	96,830	77,015	149,679	1,741	81,838	13,535
Number of incidents	14	10	21	3	16	10
Number vessels seized	11	7	14	2	13	9

PERCENT CHANGE

	Feb.-Apr. 1987	Feb.-Apr. 1988	Percent change
Amount of marijuana (lbs.)	193,637	77,015	-60
Number of incidents	51	23	-55
Number vessels seized	38	18	-53

Admiral YOST. I would also mention to you that I am concerned that in the last quarter, I have had less ship days and less aircraft days in the Caribbean. And I can also tell you that there has been a significant turndown in the amount of seizures and the amount of drugs that I have interdicted since I have reduced my own patrols.

Whether that is seasonal, whether the tide has changed a little, I do not know yet. But it just seems to me almost a straightline relationship, and I am concerned with it.

Senator D'AMATO. Thank you, Mr. Chairman.

Thank you, Admiral.

TYPE OF VESSEL TO PERSIAN GULF

Senator LAUTENBERG. Thank you very much, Senator D'Amato.

Admiral, I wanted to pursue for a moment the question raised by Senator Hatfield. What type of vessel would the ones be that would be transferred to the gulf?

Admiral YOST. I would like to provide to the subcommittee, sir, a picture of that vessel and a plan drawing and the specifications. It is a 110-foot vessel, built by Vosper Thornycraft of Great Britain. They hold the license.

We bought the license and have built our boats at Bollinger Shipyard in Louisiana. That boat has run with many of the navies in the world. It has not run with the U.S. Navy. The U.S. Navy is not heavy in patrol boats.

The patrol boat capability in the United States lies largely within the U.S. Coast Guard. That is why the Coast Guard was so heavily involved in Vietnam.

I do not think it is good economics for the Coast Guard to run patrol boats and the Navy to feel that they must also buy more patrol boats when they have ours in the arsenal and defense funds have paid for most of ours.

It is a good patrol boat. It is well armed. If we send it over there, we will add extra armament. We have discussed that with the Joint Chiefs. It is well commanded. It is commanded by a lieutenant on his second command, with a lieutenant (junior grade) as executive officer.

It is just a very, very capable——

Senator LAUTENBERG. What size? It is 110 feet?

Admiral YOST. 110 feet with a crew of 16.

Senator LAUTENBERG. What is the nomenclature? What do they call that?

Admiral YOST. We call it a 110-foot patrol boat [WPB].

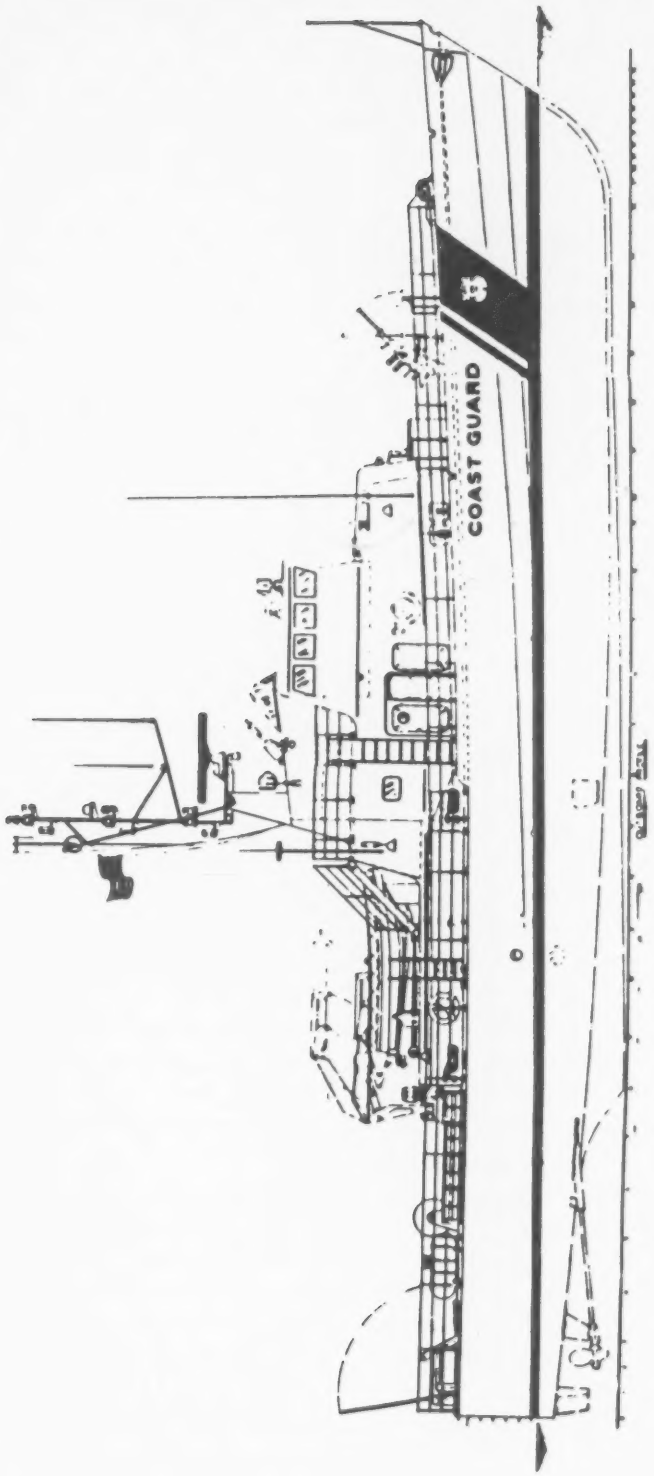
Senator LAUTENBERG. Did that supersede the Island class?

Admiral YOST. That is the Island class patrol boat.

Senator LAUTENBERG. That is the Island class.

Admiral YOST. I will furnish for the committee and for the record, if you would like, sir, the writeup, the diagram, and a picture of the Island class patrol boat.

[The information follows:]


COAST GUARD

ISLAND CLASS PATROL BOAT DESIGN

Senator LAUTENBERG. We discussed this last year and that is why I wanted to refresh my memory, because in response to a question last year you said that:

> The Island class patrol boats were selected in 1983 to respond to the President's—the Vice President's drug initiative in the Southeast United States. As such, they are essentially single-mission craft, optimized to perform the Coast Guard's law enforcement mission.

So we heard testimony this morning that these craft would be flexible and efficient in doing the duty that might be proposed for them. But we say, Island class patrol boats as currently operated lack sufficient reservations for the weight growth and anticipated weapons and sensors necessary to meet a patrol boat's role in the MDZ, the maritime defense system.

So here we have a contradiction, as I hear it, Admiral.

Admiral YOST. It sounds like a contradiction. Part of the reason is that we were concerned on the first buy of those boats that they did not have weight growth potential. We went to Bollinger and told Bollinger we were concerned with the weight. We wondered if there was any way that boat could be lightened to give us some growth in weapons capability, particularly forward

After some analysis, some things were done. A fuel tank was removed forward. That lightened the boat up considerably. There were some weight savings in construction.

We examined re-engining them with a lighter engine and did not choose that in this class. The second class of boat, the second build of this boat was built largely with CDAA funds and we made some modifications.

We do have a boat that has somewhat more growth potential. I think we have another 1- or 2-ton potential weight growth there. We have taken the first one of these boats and taken it into the Coast Guard Yard, put on the stiffening pads on deck for the 25-millimeter cannon, added some machineguns to it, and a machinegun aft, and we find we have a very capable patrol boat that is well armed.

We would also put probably—and I may be getting into sensitive areas at this point.

Senator LAUTENBERG. Well, we do not have to do that. We have discussed it enough. This testimony was last year, roughly 1 year ago this date, in which we defined the vessel as a single mission.

And here I hear the description of one that requires significant modification. And I understand it, by the way. The only thing is that as we approach the potential assignment in the Persian Gulf with a vessel that had a single mission, law enforcement purpose, I am curious as to how ready we are.

I mean, if that is the best we have got, that is the best we have got. It is too bad, and we should not discuss the whole policy now in the Persian Gulf, but it is one that I see with a degree of concern, because I am sure none of us, and particularly you, want to send equipment out there that is not able to handle the mission.

Admiral YOST. I would not put my people in harm's way if I felt the boat was not capable.

Let me say that the significant modifications that you talk about we intend to do on six of those boats in the U.S. Coast Guard Yard in about 2 weeks. So when you talk about significant, you have got to measure that by—we are going to stiffen the deck, we are going to put a——

Senator LAUTENBERG. What is it going to cost to do it?

Admiral YOST. I think it is less than $1 million for all six boats. But whatever it is, it will be picked up by the Department of Defense as incremental cost, and that has been insisted on.

Senator LAUTENBERG. Less than $1 million for six boats?

Admiral YOST. I think.

Senator LAUTENBERG. You can hardly light up the cigarette lighters in a boat these days for——

Admiral YOST. $1.1 million, sir. $1.14 million.

Senator LAUTENBERG. For all ..x, that is to move the fuel tanks——

Admiral YOST. No, no, that has been done. We have already done the fuel tank on the second build of these boats. The only modification we need on the second class of boat is a little heavier weapon.

Senator LAUTENBERG. Armament is fine as it is? You are satisfied that the bridge and all those things are protected appropriately?

Admiral YOST. Absolutely.

Senator LAUTENBERG. You do not have to do anything like that to send these vessels into combat?

Admiral YOST. No; we do not. And we would not arm these vessels in the way of armor. These are a fast patrol boat, very light, like a PT boat. You just do not put armor on them. You put armor on people, flak jackets and what have you.

Senator LAUTENBERG. What is the top speed on these?

Admiral YOST. 30 knots, sir.

Senator LAUTENBERG. 30 knots?

Admiral YOST. 30 knots.

Senator LAUTENBERG. Has that speed been adjusted by engine modification, propeller design, anything like that?

Admiral YOST. No.

Senator LAUTENBERG. Were they originally delivered to move at 30 knots?

Admiral YOST. Yes; it's a 30-knot boat. They have, frankly, sir, a lot of engine capability that we are not using. We did not put the shafting and the propellers in heavy enough to use the full horsepower of the boat.

Senator LAUTENBERG. You operate normally at 19-, 20-knot operations?

Admiral YOST. The engines are running about a little over 55 percent capacity at full speed. You like to keep a diesel engine loaded. I am sure my young skippers are running these boats fairly close to 20 to 25 knots routinely because it does not hurt the engines. They need to keep those engines loaded.

Senator LAUTENBERG. OK. If we lose any vessels, damaged, which department of our government is going to be responsible for paying for the repairs and the replacement?

Admiral YOST. We have not discussed that, sir. That has not been discussed. I think it is going to come out of Uncle Sam's deep pockets.

Senator LAUTENBERG. Do not call them that.

Admiral YOST. Shallow pockets, sir.

Senator LAUTENBERG. OK, that is better. Zipped up pockets.

Admiral YOST. Yes, sir.

COAST GUARD PRIORITIES

Senator LAUTENBERG. The fact that you have got this multimission organization, military service, marine safety, all those things—what priority would you say that the safety activities receive in an organization devoted to border management, drug interdiction, all these other things, if you had to list it on a priority?

Admiral YOST. Is going over to Treasury Department what you are talking about, sir?

Senator LAUTENBERG. No, no, no. I am just asking, what do you see as a priority within your operation?

Admiral YOST. Our operations in the U.S. Coast Guard, we have three priorities: search and rescue—the whole safety of life at sea missions, aids to navigation, search and rescue, marine safety, boating safety. That is our major priority.

I have added two priorities to that as Commandant. One is military readiness, the other is drug interdiction. And those three things—marine safety, drug interdiction, and military readiness—stand as the three major priorities of this U.S. Coast Guard.

FACILITY CLOSURES/SERVICE REDUCTIONS

Senator LAUTENBERG. You talked about a plan to save $42 million in fiscal year 1988 through a variety of service reductions and facilities closures. We discussed some of the facilities and the way you establish decisions on which ones to close.

Are those that we have had to close in any way at all likely to cause greater loss of life or injury as a result of our inability to operate those stations?

Admiral YOST. At any of the stations that we closed, the closure poses a risk of loss of property and loss of life. Now, we selected those stations that we closed as being those that we could most afford to close, looking at the risk. The risk will never be zero.

They were units that we could cover from adjacent areas, units that had a history of a small number of cases or a small number of urgent types of cases. But that does not decrease the fact that the risk is always there or the station would not have been built to begin with.

Senator LAUTENBERG. Well, to use an absurd example, I mean, you would not have a station with four or five seamen there, a couple of boats, where if you had over a history a log of one rescue attempt or

something like that. So you do use frequency of response as an indicator of the magnitude of the problem. So you have used that kind of calculation when you made decisions to close?

Admiral YOST. Yes, we did.

Senator LAUTENBERG. The Chicago Air Station was one of those that was listed as ready for closure. That air station is no longer to be closed, and reductions are planned for Mobile instead.

What kind of an effect, financial effect, did that have and why was the decision changed?

Admiral YOST. First let me say that what we took out of Mobile was on the cut list from the beginning. Those were the helicopters that supported the icebreakers that were then decommissioned. We decommissioned icebreakers as part of this cut.

We no longer needed that detachment of helicopter support for the icebreakers.

Air Station Chicago is the air station that has the least usage, the least number of urgent cases as well, the least number of lives saved, and the least amount of property saved over the last several years, of any air station in the Coast Guard.

I put that air station on the first-cut list. It was near the bottom of the first-cut list. And as we looked at the cut list, it appeared that, it being the only air station that, if I moved the aircraft from that air station, I would have to move them to other air stations, thereby needing the infrastructure to support additional aircraft, maybe hangars someplace, et cetera.

I did not want to close anything, least of all an air station. I moved that air station from the first-cut list, which was at the bottom, to the top of the second-cut list. So it was a movement to save an air station, and it was a movement that looked like that I could afford.

I had 48 million dollars' worth of cuts. It turned out I needed only 43 million dollars' worth of cuts if I was going to get my $60 million.

If we do not get the $60 million reprogramming, I have told the people in Chicago and the Chicago delegation that that air station is going to be very near the top of that second-cut list.

FISCAL YEAR 1988 DRUG INTERDICTION

Senator LAUTENBERG. Admiral, you made mention frequently of the fact that the budget summit reductions forced you to cut drug interdiction. We used the term 55 percent. The reduction from your requested operating budget is 3.8 percent.

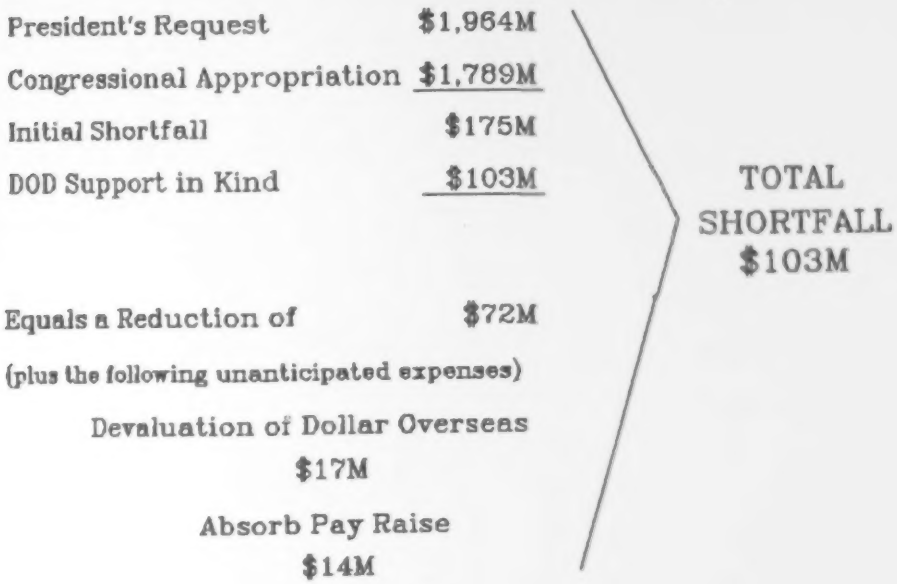
How does the relatively small percentage reduction square with the high percentage of reduction in drug interdiction efforts?

Admiral YOST. May I use a chart to explain that, sir?

Senator LAUTENBERG. Sure.

Admiral YOST. This has probably been the most difficult thing to explain, and yet, once laid out in some graphics here, I think it will be very, very clear that what I did was absolutely necessary and good management.

U. S. COAST GUARD FUNDING PROBLEM



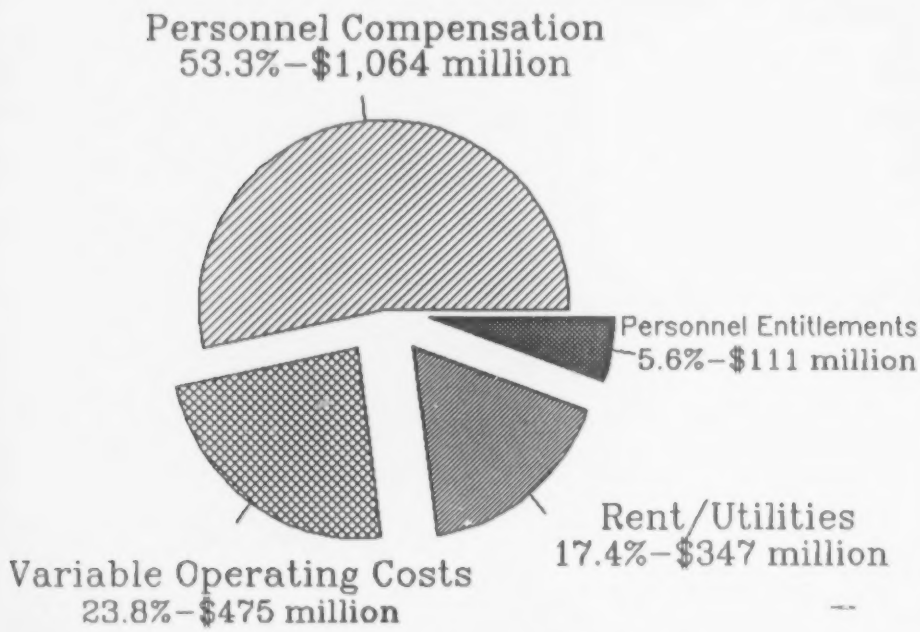
Here was my problem. I had a President's request of $1.964 billion. I got an appropriation; despite all of your hard work and fighting for us in those last hours of the continuing resolution, I ended up with $1.789 billion. I then had a $175 million shortfall.

With your help and other members of the Senate and the House, we got in-kind support from the Department of Defense of $103 million, leaving us a $72 million problem. However, at the same time I was submitting this budget to the President the dollar was falling. And while the budget was being examined and going through the process, I inherited a $17 million devaluation of the dollar compared to the franc, and I have to buy aircraft parts from France because I have two aircraft that are made in France.

So I had a $17 million problem that was not my fault or this Congress' fault. And also, the Congress passed a pay raise, for which we in the military are very thankful, but also told me to take it out of hide, and that gave me another $14 million problem. That gave me then a $103 million overall shortfall that I had to address.

I addressed that $103 million shortfall—we have already shown those graphs. Let us take the next one.

U. S. COAST GUARD



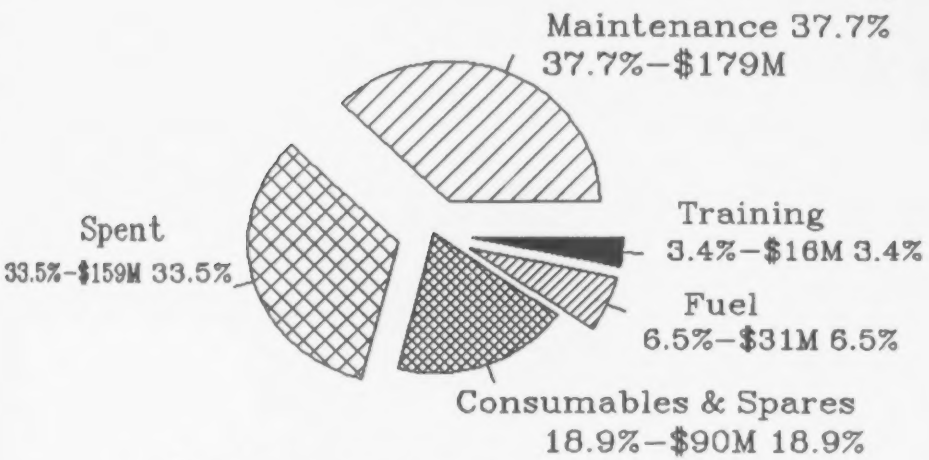
Operating Expenses
Fixed vs. Variable Costs

I addressed that $103 million shortfall in operating expenses in this way. Personnel compensation? There was no way that I could reduce anybody's pay. In fact, they had all been given a pay raise. So that was a given. I had to spend that.

I had rent and utilities that were commitments, that I had no choice. I had to spend that. I had personnel entitlements, health care, bonuses that the enlisted personnel get that are entitlements. I had no choice. I had to spend that.

That left me a total of $475 million which I could use to accommodate this $103 million problem that I had. In other words, I had only $475 million to accommodate the budget cut. The rest of it was fixed.

U. S. COAST GUARD OPERATING EXPENSES
VARIABLE COSTS COMPOSITION
(TOTAL: $475M)



$100M Reduction Equates to
32% of Remaining Funds

All right. Now, this is the $475 million that I have some control over as the Commandant. And here is how I spend it. To begin with, by the time the budget summit came about and the continuing resolution was passed, I had one-third of the year, one-fourth to one-third of the year behind me, and I had already spent $159 million. So that was way behind me.

Take that away. That left me the rest of it. The rest of it I spent in that way: so much for maintenance, so much in spare parts, so much for fuel for my patrols, and some training for my people.

Now, I said from that I have to take $103 million. One way of doing it, and in a way that I think is good management, is to reduce your patrols because, as you reduce your drug patrols and your search and rescue patrols and your fisheries patrols, you are reducing maintenance, you are reducing the spare parts you need, you are reducing fuel, and you do not need quite as much training.

So as I reduce those patrols, I needed to take 55 percent of the patrols down in order to save that money. You see, if all I took was fuel, if I would have cut 100 percent of the patrols just to get fuel, I would have saved only $31 million.

I had to take it from all of those subheads, and the only way to do that without ending up at the end of the year with a bunch of boats, ships, and airplanes without any spare parts, without any maintenance, was to cancel the patrols completely up to a certain percentage.

So we ended up with a 55-percent reduction due to a 3.8-percent cut. And that is hard to explain, even though I have just done it. It is hard for people to understand.

Senator LAUTENBERG. So it is a reduction in patrols, not exclusively drug interdiction?

Admiral YOST. No, no; 100 percent of the search and rescue patrols were cut out. We operated in search and rescue only on known cases. Somebody called us on the radio, we went. But we were not out there looking for people.

Senator LAUTENBERG. Pollution stuff?

Admiral YOST. Pollution, almost 100 percent of those patrols were cut.

Senator LAUTENBERG. That was—because there is an impression out there that you, the Commandant, responsible for decision making, made the decision that you were going to cut 55 percent out of the drug interdiction program, which is not really the case. There was, unfortunately, a balanced reduction that penalizes all of the functions that you have to serve.

Admiral YOST. Yes, sir.

Senator LAUTENBERG. OK.

Admiral YOST. And part of that is my fault, I am sure, by not being as clear in the press as I could. The press——

Senator LAUTENBERG. You have gotten a lot of attention. It is hard to always——

Admiral YOST. And the press is not always 100 percent accurate. They probably approach 99 percent.

Senator LAUTENBERG. You do have a statutory earmark, as you know, the Public Law 100–202, the fiscal year 1988 continuing resolution, a statutory earmark of not less than $429 million for drug interdiction.

So we are trying as much as possible to make sure that you have the tools to work. Are you going to be spending that money for that purpose?

Admiral YOST. That $429 million that we are required to spend in the language of the bill, we will spend. What is unfortunate about trying to manage with that kind of a number is that I spend a lot of money in drug interdiction by ships just sitting at the dock and aircraft sitting in the hanger, because I have to pay the people, I have to pay the electricity for the hangar, I have to heat the ship, I have to run the mess.

I have to do all of those big fixed costs, and the only margin that I need in order to run the whole patrol is the horseshoe nail, and that is the $60 million that I did not have.

I am spending the $429 million, but I do not have the last $60 million to do the full patrols. It is not a good way of managing.

MARINE ENVIRONMENTAL PROTECTION

Senator LAUTENBERG. On the marine environmental protection area, you know that I have an active interest in that, as well as all the functions that you serve. The committee added $894,000 to the fiscal year 1988 continuing resolution to support the development of a surveillance system, electronic devices, for vessels that might dump sludge and garbage on the way to the 106-mile site.

As I understand it, this system that I provided the funds for will give you 100 percent coverage of all sewage sludge vessels permitted to use the 106-mile site. Is that correct?

Admiral YOST. Yes; I think we will have 100 percent coverage, based only on the fear of any equipment breaking down. But let me say, that was an excellent program. It was well thought out.

The money was well spent. Our R&D people with that money you provided, sir, designed an Ocean Dumping Surveillance System [ODSS] that monitored the individual barges that were dumping.

We now have four of those systems operating. They are black boxes. They sit on the barge. They measure the draft of the barge, and as soon as that draft takes a dramatic change we know the barge has dumped. When that happens, the black box takes a position from LORAN C and transmits that position back to the Captain of the Port [COTP] in New York.

If the barge is too far out for the transmission to get back, the black box stores the information, and when it is in range then the Captain of the Port queries the box and the box tells him: This barge dumped in so and so position. It is an excellent system. It is a real personnel saving to have that kind of technology.

Senator LAUTENBERG. So you have a good log of the entire journey.

Admiral YOST. Yes, we do.

Senator LAUTENBERG. That is important, because once we push them out to 106 miles, there is a temptation to shorten the trip by getting rid of the stuff, and we have to protect against that.

Admiral YOST. We are buying another eight spare units with that money, and they will be delivered this summer. So we will be able to change out units. I have to thank you for that innovative way of moving against this problem.

NEW JERSEY SHORE

Senator LAUTENBERG. Well, you know, we had a terrible problem with refuse and garbage along the New Jersey shore last summer. What is the Coast Guard doing to help us feel comforted that we are not going to have the same problem this year?

Admiral YOST. Well, I think that the remote units on the barges will assure us that they are dumping in the designated dump sites.

Senator LAUTENBERG. That is the sludge, of course.

Admiral YOST. That is the sludge.

Garbage is a problem, and there are dump sites for that as well. We will be enforcing those rules, along with everything else that we are

doing. And I will need to answer for the record perhaps whether these units go on the garbage barges or not. I am afraid I do not know.

Senator LAUTENBERG. Are there garbage dump sites in the ocean?

Admiral YOST. Maybe there are not any more.

Senator LAUTENBERG. No, no, there are not.

Admiral YOST. I am sorry.

Senator LAUTENBERG. One of the things that we are trying to do, and I have got legislation that is proposed, is to make sure—you cannot give me any assurance, and no one can—that we do not have any illegals out there saying: "Hey, you know, *a la* the SS *Islip*," that we will not have someone doing that kind of thing.

And what we are trying to put into law right now is a license and perhaps manifest requirement for all vessels that might carry anything, so that they would be breaking the law, because we are sick and tired of having trash washed up on our shores.

MARPOL ENFORCEMENT

You have asked for $500,000 allocation for enforcement of the MARPOL Convention, I guess that is, for the prevention of plastic pollution. What enforcement activities would you intend to undertake with that?

Admiral YOST. Well, the plastic pollution is Annex V of that MARPOL Convention.

Senator LAUTENBERG. Right.

Admiral YOST. I think I am going to ask my Chief of Staff, if you are comfortable with discussing——

Admiral LUSK. I think I would rather provide that one for the record.

Admiral YOST. Let me say a couple of things and then we will provide it for the record. In fiscal year 1989, we want to—our request would provide for 23 people to help us enforce the MARPOL Convention, including Annex V, which is the trash, plastics, et cetera, at sea.

Those 23 people would be scattered over a number of units. We intend to put out a Notice of Proposed Rulemaking this month that is going to provide the details on how we intend to enforce that. Now, until that regulation hits the street and we get the comments back on it, et cetera, we will not have put together fully what the enforcement program will look like.

It is basically enforcement with these 23 people at various units including Houston and New Orleans. Captain of the Port New York will get a full lieutenant. They will be managing the program. They are not going to be enforcement officers.

[The information follows:]

The $500,000 request is intended for the enforcement of all annexes of MARPOL 73/78. The purpose of this request is to protect and preserve the marine environment by reducing the amount of oil wastes, chemical wastes, plastics, and other shipboard-generated debris discharged into the oceans by foreign and U.S. vessels. The money will be used to fund 23 additional people who would manage and enforce the program in 19 coastal ports. These individuals will ensure that enforcement activities mandated by the Act to Prevent Pollution from Ships is carried out. These tasks include:

One: Boarding and examination of selected vessels when they enter U.S. ports, for compliance.

Two: Ensuring that waste reception facilities meet the requirements.

Three: Investigating possible violations

MARINE ENVIRONMENTAL PROTECTION ACTIVITY

Senator LAUTENBERG. OK. We talked about a workload that indicates no reduction in marine environmental protection activity this fiscal year. In fact, I think it is fair to say that your level of effort is slightly higher than in fiscal year 1987.

Are these projections still valid? And do you anticipate that you will be able to maintain or increase your level of environmental protection in this fiscal year?

Admiral YOST. We do not have the data available yet in fiscal year 1988, of course. We have made significant reductions, permanent closures in some of the units that have responsibility in this area.

For instance, the Port Safety Detachment, Albany, NY, was closed on March 31. We closed the same kind of detachments in Morehead City, NC; in Evansville, IL; in Decatur and Peoria, IL; in Marietta, OH; and on down the list.

We must have closed 20 or more of these kinds of units. What we intend to do is to give substantially the same service from adjacent units. It is like closing lifeboat stations. You try to give the same service from adjacent units. You know that the risk is somewhat elevated, that you are not going to do quite as good a job as when you had the person right there on the scene every day.

So the Marine Environment Protection [MEP] activities have been reduced by the number of units that we closed. We are going to make every effort to see that the actual activities where the rubber meets the road are not affected more than minimally.

SUBMITTED QUESTIONS

Senator LAUTENBERG. OK. We have additional questions that we will submit to you for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR LAUTENBERG

COAST GUARD SUPPLEMENTAL

SENATOR LAUTENBERG: The Department has requested a $60 million Supplemental for the Coast Guard. It will be offset by a number of transfers and reductions in other programs because of the Budget Summit agreement. I understand that it is now questionable whether these offsets will in fact achieve the needed outlay savings. What do you propose to do about the problem?

ANSWER: DOT is prepared to offer substitute offsets as necessary to achieve the outlay levels mandated by CBO.

SENATOR LAUTENBERG: Can you restructure the request to reduce the costs?

ANSWER: The outlay estimate for Coast Guard's $60 million Operating Expenses Supplemental was based on spendout factors specified by OMB-CBO agreement. Since CBO has apparently decided to overlay a "time-of-year" analysis on their standard factors to evaluate proposed offsets, we can do the same for Coast Guard. For example, assuming that the supplemental funds become available August 1, FY 1988 spendout would be $21 million instead of $51 million, and if they do not become available before late August, there will be no FY 1988 outlays at all.

SENATOR LAUTENBERG: Can you control the rate of expenditure of these funds to assure that they would be deficit neutral?

ANSWER: The projected rates of expenditure for the Coast Guard controlled funds are rates based upon historical/traditional spendout rates agreed to by CBO and OMB in the the Budget Summit Agreement. In fact, actual spendout rates would be dependent upon the nature of the account involved, the timing of the supplemental enactment, as well as the actual items "bought." As far as the rates of expenditure for the Coast Guard controlled offsets to the supplemental are concerned, depending upon the above variables, the spendout rates can be controlled to a large degree. Whether the preceeding statement can be applied to the other DOT proposed offsets are unknown to the Coast Guard.

SENATOR LAUTENBERG: The stated purposes of transferring Coast Guard to the Treasury Department are to improve coordination in drug enforcement and to protect the Coast Guard from attacks on the general Transportation budget by the Administration and its allies.

Admiral, you work with the National Drug Policy Board. The Drug Policy Board has, as I understand it, already addressed the issue of coordinating drug abuse control, including interdiction programs.

What did the Board decide with respect to interdiction?

ANSWER: The Coast Guard requested the National Drug Policy Board to implement the "Area of Responsibility" (AOR) concept which designated a lead agency to coordinate interdiction. The Board designated the following agencies to take the lead in the specific areas of drug interdiction.

	REGION		
	MARITIME	LAND	OVERSEAS
USCG	P	S	S
DEA	S	S	P
USCS	S	P	S
DOS	S	S	S1
DOD	S	S	S

P - PRIMARY S - SUPPORT

SENATOR LAUTENBERG: Is the policy working? Are we getting more effective coordination?

ANSWER: The coordinated and concentrated efforts of all the agencies have been successful against marijuana trafficking. We hope the coordinated strategy we have developed to counter cocaine will also be successful. There are several critical parts of the air interdiction strategy such as the C3I center, the additional land based aerostats, and the HU-25 interceptors that are not on line yet. We have to give these funded assets the opportunity to perform before we know if additional resources are required. At the same time we want to do everything we can to support the demand reduction part of the war on drugs.

SENATOR LAUTENBERG: If the real concern of those who support moving Coast Guard to Treasury is coordination in drug enforcement, wouldn't it make more sense to transfer Customs, Coast Guard interdiction elements, and other law enforcement agencies to the Drug Enforcement Administration in the Justice Department? That way, you would have all drug enforcement activities under one organization -- assuming the real aim is to consolidate drug enforcement functions.

ANSWER: The Coast Guard prides itself on being a multi-mission organization. It is a military service; it promotes marine safety; and it is a law enforcement agency. Our units perform all these missions and therefore some of our assets can not be separated out by "law enforcement" missions and transferred to another agency. Putting the multi-faceted maritime oriented Coast Guard into a much smaller Drug Enforcement Agency does not seem wise.

SENATOR LAUTENBERG: What priority would, say, marine safety activities receive in an organization devoted to border management and drug interdiction? How would these functions fit in?

ANSWER: Marine safety would most likely have a lower priority in an organization devoted to border management. Although a large part of that border management would be maritime related, the marine safety aspect probably would take a back seat to activities concerning law enforcement and the control of the border.

SENATOR LAUTENBERG: Do you have any concern about the support and attention these other law enforcement functions would receive in the Treasury Department?

ANSWER: We are less concerned about these other law enforcement missions than we are with our non-law enforcement missions, marine safety and military readiness. We are afraid these missions may not receive the proper emphasis in a department other than Transportation.

SENATOR LAUTENBERG: How would you assure effective coordination in hazardous materials enforcement between RSPA, other DOT agencies, and Coast Guard, were Coast Guard in Treasury?

ANSWER: Such coordination would become more burdensome and time-consuming, and would require more staff effort to assure the same level of effectiveness. Obviously, having all of the agencies in the same Department encourages early coordination and facilitates resolution of problems that arise.

SENATOR LAUTENBERG: What about Marine Environmental Protection? Would enforcement against illegal dumping, plastic pollution, and illegal oil and chemical discharges receive the proper emphasis in Treasury?

ANSWER: The Department of Transportation has no reason to question that Treasury would fulfill its obligation to carry out any laws or programs assigned to it. However, we would expect disruption in the currently smooth operation of the program, at least until the new organization fell completely into place.

SENATOR LAUTENBERG: Does Treasury have any expertise or experience in these areas?

ANSWER: There is no reason why Treasury would currently need or have the requisite expertise or experience in these areas, but we have no way of determining what level of expertise actually exists.

PATROL BOATS/PERSIAN GULF

SENATOR LAUTENBERG: According to press reports, a plan to assign Coast Guard patrol boats to duty in the Persian Gulf is now under active review within the administration. What proportion of your vessels of these types would this be?

ANSWER: We have 17 Island Class patrol boats operational now and one coming off the ways every 35 days. A total of 37 Island Class patrol boats are being built for the Coast Guard. The question of whether or not to deploy, and the number of vessels, is under review.

SENATOR LAUTENBERG: What would their mission be exactly?

ANSWER: They would generally be patrolling the sea lanes to detect hostile activity and their presence would help prevent the "reseeding" of cleared channels with mines. Other missions could be assigned by the Commander-in-Chief, U.S. Central Command, including assisting in the escort mission.

SENATOR LAUTENBERG: What impact would this plan have on your capabilities in drug interdiction, fisheries enforcement, marine environmental protection, ETC.?

ANSWER: The plan would be implemented so as to have minimum impact on these programs. Our present backfill plan will maintain our present patrol boat force level and retain the annual cutter

day average presently realized. Its implementation would allow us the flexibility to deploy our forces and not lose our effectiveness in the drug war or in other Coast Guard missions. We currently have a contract for the acquisition of twenty-one additional Island Class Patrol boats for a fleet total of thirty-seven. On April 16, 1988, we accepted the fourth boat of this contract on the delivery schedule and will receive an additional boat every thirty-five days until the completion of the contract. Starting with the delivery of the sixth patrol boat and for each one thereafter, we will remove a 95-foot patrol boat from service. However, if a deployment order were issued, we would delay decommissioning the 95-foot patrol boats and backfill the vacated homeports with the next boats delivered. This plan would remain viable until 15 July, 1989, at which time we would reevaluate our options. If our patrol boats are required overseas past January 1990, (the date the last new 110-foot patrol boat is delivered), we would explore purchasing six additional patrol boats.

SENATOR LAUTENBERG: From the standpoint of national policy, do you think we should reduce our effort in the war on drugs in order to provide escort services in the Persian Gulf?

ANSWER: Of our three overall mission categories, that is; Safety of Life at Sea, Military Readiness and Drug Interdiction; we can't say any one of them is more or less important than the others. Whether one should be reduced in favor of another as a national policy is a decision above our level.

SENATOR LAUTENBERG: If these assets are reassigned to Navy command, will DOD assume the costs of operating them?

ANSWER: The Chairman of the Joint Chiefs of Staff has assured me that money will be provided for all of the transportation costs and all of the incremental costs of operating these patrol boats in Fiscal Year 1988.

SENATOR LAUTENBERG: If the vessels are lost or damaged, who will pay or replace them?

ANSWER: That has not been discussed.

SENATOR LAUTENBERG: Where are the vessels involved presently located and what missions do they serve?

ANSWER: The specific vessels designated for this mission would change based on the timing of the order to deploy. We would probably look at one of our two existing Patrol Boat Squadrons located in southern Florida or Puerto Rico to form the main group of patrol boats and be augmented by one or two boats from other locations. The final choice of boats would be based on their availability at the time we received the order to deploy. All of our 110's are now involved in both Law Enforcement and Search and Rescue and some participate in exercises and training in support of the Maritime Defense Zone.

SENATOR LAUTENBERG: Where did this proposed plan to use Coast Guard assets in the Persian Gulf originate?

ANSWER: The request or plan originated with the Commander-in-Chief, U.S. Central Command.

SENATOR LAUTENBERG: Have you taken any of your patrol craft out of service?

ANSWER: We are presently in the process of replacing our older 95 foot patrol boats with the more modern Island class patrol boats. There is however a cutback in the operating hours of patrol boats. We simply do not have the operating funds in FY 1988 to conduct patrols at previous years levels. This is hurting our interdiction efforts severely, and impacts on morale and training. The worst part is that the equipment and personnel are ready to go; only the operating funds are missing.

FY 1989 DRUG INTERDICTION REQUEST

SENATOR LAUTENBERG: What does your FY 1989 operating budget assume for drug interdiction?

ANSWER: In Operating Expenses, our estimates include $492 million for drug interdiction.

SENATOR LAUTENBERG: What is the basis for this estimate?

ANSWER: This estimate is based upon our anticipated cutter and aircraft utilization for FY 1989.

We arrive at our estimates by using historical data on resource costs and the percentage of time we expect the resource to be involved in drug interdiction activity. We generally base our drug enforcement operations on a strategic assessment of likely smuggling activity. Actual operations must be estimated because of the dynamic nature of drug interdiction. In FY 1982 we spent $194 million (13%) of our operating expense funds on drug interdiction. In FY 1987 we spent $437 million (23%) of our operating expense funds on drug interdiction, reflecting the increased emphasis on this issue of national concern.

Drug interdiction operating expense funds requested for FY 1989 equal 23% of our total operating expense funds request. Included in this figure are operating funds for new 110-foot Island Class patrol boats, Operation Bahamas, Turks and Caicos (OPBAT), air interdiction, and Caribbean land-based aerostats.

SENATOR LAUTENBERG: Did you bring the decision to cut back on maritime drug interdiction to the attention of the Policy Board?

ANSWER: Yes. The Policy Board was kept fully informed of the budget shortfall that necessitated a curtailment of operations.

SENATOR LAUTENBERG: If so, did you consider the possibility of obtaining additional resources for maritime interdiction from DOD or other law enforcement agencies?

ANSWER: The Coast Guard is not experiencing a shortage of operational resources, but rather a shortage of funds to operate existing resources. We are using DOD and other agency resources to the maximum extent possible to support our maritime interdiction efforts. We did not ask the Policy Board or DOD to seek authority for other agencies to transfer operating funds to the Coast Guard. This would have required congressional approval and would have degraded the effectiveness of other agencies. Instead, we sought a supplemental reprogramming within the normal appropriations process for funds required in FY 1988.

DRUG ENFORCEMENT STRATEGY

SENATOR LAUTENBERG: The Federal Government is currently spending a total of about $4 billion to combat drug abuse. Of this, about 5% ($54 million) goes for source country eradication and crop substitution programs; 35% is devoted to drug interdiction; another 35% is spent on domestic enforcement; and 25% goes for prevention and rehabilitation programs.

If the Congress could find a way to provide another $1-2 billion per year for the war on drugs, how would you recommend it be allocated to achieve the maximum effect?

ANSWER: We feel that additional money should be allocated to support the National and International Drug Law Enforcement Strategy as approved by the National Drug Policy Board (NDPB). Drug interdiction is one of the five elements of the national strategy. We feel our drug interdiction mission is important and that it should be fully funded. We would support allocating additional funds under a NDPB plan.

FACILITIES CLOSURES/SERVICE REDUCTIONS

SENATOR LAUTENBERG: You have announced a plan for saving $42 million in Fiscal Year 1988 through a variety of service reductions and facilities closures. Is your plan on track? How much have you saved to this point?

ANSWER: The overall plan for this year is designed to save a total of $103 million to offset the total FY 1988 Operating Expenses shortfall. Although facility closures will yield $42 million on a annual basis, during FY 1988 they will yield only a net savings of approximately $8 million. This is because only part of the year was available to achieve savings, and because the costs of closing facilities, personnel moves and personnel separation costs offset the total savings available.

The remaining $95 million of the shortfall can be realized only by reduced services and operations. Especially hard hit are law enforcement patrols. A $60 million reprogramming supplemental has been requested to permit the Coast Guard to return to normal operations and maintenance levels. The overall plan is on track, and approximately $67 million in savings have been realized through May, 1988.

SENATOR LAUTENBERG: The list of facilities to be closed announced in January is different from the list now being carried out. The Chicago Air Station is no longer to be closed. Where are you making up this difference?

ANSWER: Our first cut list would have provided $48 million in annualized savings -- as part of a solution to a $103 million shortfall. After thorough analysis we decided against closing this air station. The final list, without Air Station Chicago, will provide $43 million in savings. The difference is being made up with a "squeeze-down/slow-down" of $60 million, the same amount the President has requested in a FY 1988 reprogramming supplemental that is before Congress.

SENATOR LAUTENBERG: Why did you make the change?

ANSWER: The decision to close Air Station Chicago was taken with great reluctance. It was the only air station being cut and at

the bottom of the first list. As we examined our cuts it appeared possible that our overall demand for aircraft might result in the Air Station Chicago helicopters being shifted to other locations, vice outright elimination -- with attendant infrastructural investments. We are re-examining this issue. By forestalling closure, the local and state governments who have expressed a concern over closure will have adequate time to develop contingency plans to provide a substitute capability if they should choose to do so. The suggestion that Mobile was excluded from our initial cuts is in error. Our Polar Operations Division helicopter detachments are sited there. Having cut our icebreaker fleet by 50%, a reduction in the Polar Operations Division by a similar amount was taken and is included within our overall $43 million savings achieved.

SENATOR LAUTENBERG: What are some of the adverse effects of the facilities closures and/or reductions you have implemented to this point?

ANSWER: Closures and reductions to Marine Safety Detachments (MSD) or Marine Safety Offices (MSO) may increase pollution response times and reduce inspection frequencies. In some areas a Coast Guard presence will be lost, but no services will be eliminated.

Vessel Traffic Service (VTS) New Orleans terminated services on 1 March 1988. Waterway users who previously used the VTS to obtain information, such as water levels at the river locks, have found alternate means to receive the data. VTS New York is scheduled to terminate services by 30 June 1988. Without a traffic service in New Orleans and New York, vessels will not have traffic advisory information to supplement their use of buoys, rules of the road and bridge to bridge radiotelephone.

Coast Guard personnel experienced an involuntary reduction in force of 208 personnel, and 654 have separated voluntarily for a total reduction of 862 people. Voluntary separations were higher than expected and have resulted in a loss of experienced and trained individuals who felt uncertain about the Coast Guard's future as well as their own future within the organization.

The closure of search and rescue stations has caused the Coast Guard to move out of areas where people have come to depend on us for years. While we are going to be a little further away when the public calls for help, we will still meet the service's response standard.

MARINE ENVIRONMENTAL PROTECTION

SENATOR LAUTENBERG: The Committee added $894,000 to the fiscal 1988 C.R. to support the development of electronic surveillance devices for vessels that dump sludge and garbage. As I understand it, this system that I've provided the funds for will provide 100% coverage of all sewage sludge vessels permitted to use the 106-mile site. When will this Ocean Dumping Surveillance System (ODSS) become operational?

ANSWER: As of 18 May 1988, 11 of the 12 operating sewage sludge vessels have been outfitted and have Ocean Dumping Surveillance Systems (ODSS) on board. An ODSS is available for installation on the remaining vessel, the timetable for this last installation is being discussed by EPA Region II and the vessel's owners. We expect that only 11 vessels will be used for their purpose in the meanwhile.

MARPOL ENFORCEMENT

SENATOR LAUTENBERG: Annex V of MARPOL on Plastics Pollution enters into force December 31, 1988. What additional level of effort do you plan in this connection?

ANSWER: We plan to publish a Notice of Proposed rulemaking at the end of this month (May). In this document we will propose that all terminals receiving oceangoing vessels over 400 gross tons be certified as reception facilities for disposal of garbage, including plastics. In this way we will be assured that oceangoing vessels visiting our ports will have adequate means to dispose of their waste. Furthermore, we will investigate any reported illegal discharges and issue penalties as appropriate.

SENATOR LAUTENBERG: Will the resources you have requested be sufficient to assure an effective enforcement program?

ANSWER: We are unable at this time to predict the level of response necessary to enforce the provisions of Annex V since we cannot predict the level of activity on the part of commercial and recreational boating. Coast Guard aircraft and vessels will be on the look-out as always for illegal dumping. We are counting on the educational effort by the National Oceanic and Atmospheric Association (NOAA) described in the "ACT" to encourage voluntary compliance. This should limit the number of reported cases that we will be required to investigate. In addition we are investigating the possibility of state enforcement for recreational boating.

SENATOR LAUTENBERG: I note for example, that you plan to increase MARPOL facilities inspection by 64%. Do you still plan to enhance your MARPOL enforcement effort this year?

ANSWER: For each MARPOL 73/78 ANNEX that entered into force there were initial one-time inspections of reception facilities for compliance prior to the issuance of a Certificate of Adequacy to terminals. The 64% increase represents the Annex I and Annex II facilities which still have not been initially inspected for compliance. This number will increase another 50% in 1989 when Annex V reception facilities must be inspected. The resources we have requested will be sufficient to assure waste reception facilities are available to receive wastes from ships. The only unknown in the enforcement scenario is the initial level of activity by commercial and recreational boats. This Annex could be very difficult to enforce. We are relying on the educational effort described in the "ACT". Future efforts could include regulations requiring "Garbage Record Books" on certain vessels, and encouraging the public to report illegal discharges.

SENATOR LAUTENBERG: How many cases have you referred to EPA under the Ocean Dumping Act in the past 5 years?

ANSWER: Two. One involving offshore woodburning and one involving sludge dumping. In each case part of the activity was conducted outside of the designated site.

CAPE MAY

SENATOR LAUTENBERG: As you know, beach erosion continues to threaten the Training Center at Cape May, N.J. We discussed this last year and the Committee addressed the need for working out the necessary cost sharing arrangements in its report on the fiscal 1988 bill. Do you have a cost sharing agreement in place?

ANSWER: No. It is anticipated that a cost sharing agreement will be in place by the first quarter of FY 1989. Currently, the Corps of Engineers' position is that Coast Guard should bear 100% of the estimated $3.35 million cost for the initial feeder beach work and 1/3 of the maintenance costs for periodic beach replenishment estimated to be $847,000 every two years.

SENATOR LAUTENBERG: Is any funding included in your FY 1989 request for Coast Guard's share of the cost?

ANSWER: No.

SENATOR LAUTENBERG: If not, why not?

ANSWER: The Coast Guard did not require the funds in FY 1989 because $4.0 million was already included in the Army Corps of Engineers' FY 1988 budget to start the project. Through an informal agreement reached between the Corps and the Coast Guard, the Corps agreed to proceed with the project pending reimbursement from the Coast Guard.

COAST GUARD NON-EMERGENCY SAR/TOWING

SENATOR LAUTENBERG: What is your current policy?

ANSWER: The current policy is to first ascertain whether the person calling for assistance is in immediate distress. If imminent danger exists, the Coast Guard responds as quickly as possible. If the boater is not in a situation which may result in any foreseeable danger, the Coast Guard refers the call for assistance to a commercial provider if one is reasonably available and able to assist. The boater is offered the opportunity to ask for a particular commercial provider, or a friend, or a marina, and we will call that party in behalf of the boater. Otherwise, the commercial provider is selected by the Coast Guard on the basis of equitable distribution of work. If no commercial provider is reasonably available, Coast Guard or Auxiliary resources will be dispatched and tow the vessel to the nearest safe haven.

SENATOR LAUTENBERG: What are the major issues, as you see them at this point?

ANSWER: The major issues are how to get assistance to a mariner with a problem as quickly as possible and who should provide the assistance, while taking into consideration the safety of life and property involved.

SENATOR LAUTENBERG: Do you think the policy should be revised?

ANSWER: We think the policy should be reviewed and revised because of apparent widespread dissatisfaction with the policy. We have heard complaints about the policy from commercial providers, from members of the Coast Guard Auxiliary, and from members of the boating public.

SENATOR LAUTENBERG; If so, how?
ANSWER: The present policy is under review and resolution is expected shortly.

SENATOR LAUTENBERG: Many private towers maintain that any significant changes to current policy would put them out of business. What is your view?
ANSWER: There were a small number of firms engaged in towing recreational vessels before the previous policy was placed into effect. Currently, in non-emergency situations, we will broadcast the towing opportunity, giving commercial towers the chance to respond. If no response is received, we will tow the disabled vessel to the nearest safe haven. We are making every effort not to place undue financial hardship on commercial providers.

SENATOR LAUTENBERG: What are the budget implications of the changes you are considering?
ANSWER: There are no significant budget implications.

SENATOR LAUTENBERG: How much will it cost to have the Coast Guard and the Auxiliary resume non-emergency search and rescue operations?
ANSWER: It does not appear that the activity by regular Coast Guard resources would be changed significantly in a revised policy. Any increase in operational activity by the Coast Guard Auxiliary would be minimal, since we are already funding their safety patrols. There is very little increase in costs for an Auxiliary vessel to assist other vessels over what is already spent to fund their patrols.

FY 1988 SUPPLEMENTAL

SENATOR LAUTENBERG: According to press reports, your total FY 1988 shortfall is on the order of $105 million. Is that an accurate number?
ANSWER: The combination of the appropriation reduction and other unfunded items resulted in a total shortfall of approximately $103 million.

SENATOR LAUTENBERG: The reduction from your Operating Expenses request that is in the C.R. as a result of the Budget Summit agreement, however, was about $75 million. What are the other elements of your shortfall this year?
ANSWER: The FY 1988 appropriation was $1,897 million, or $9 million less than the FY 1987 appropriation of $1,906 million. However, the FY 1988 amount includes $105 million in DOD "services in kind" and $3 million of DOD support for Coast Guard Law Enforcement Detachments (LEDETS). $5 million of the DOD support is for research and development of a sonar project mandated by

Congress. Thus the true difference is $5 million more, for a total of $14 million.

The below listed items, which were not included in the FY 1987 budget, add to the $14 million initial shortfall:

Appropriated shortfall (from above)	$-14 M
Annualization of items funded part year in FY 1987 (net vs. terminations)	+ 5 M
Annualize FY 1987 pay raise	-10 M
Non-Pay Cost Of Living increase	-10 M
FY 1988 Pay Raise (3/4 year)	-14 M
Dental CHAMPUS	- 4 M
Operation of new equipment in FY 1988	-22 M
Dollar Devaluation (e.g. French aircraft parts)	-17 M
Fuel Funding Shortfall (FY 1987 Cong. Action)	-17 M
Total Shortfall:	$-103 M

SENATOR LAUTENBERG: Provide for the record a table displaying outlays associated with the Coast Guard $60 million Supplemental broken out by date of enactment.

ANSWER: The information follows:

Date of Enactment	Estimated Outlays ($ in millions) 1988	FUTURE
Original Request*	$51	$9
Alternative Dates:**		
July 15	30	30
August 1	21	39
August 15	3	57
September 1	0	60

* Request as submitted by the President. Outlays by suggested date of enactment not specified.

** Based on information supplied by DOT to House and Senate Appropriations Subcommittee staff.

SENATOR LAUTENBERG: Provide for the record a break-out of the specific items for which funding is requested.

ANSWER: The items to be funded from the supplemental include the following: Fuel(for Cutters); Consumables(Critical non-major Supplies and Materials); Spare Parts(for Vessels and Aircraft); Major Maintenance Services(for Vessels and Aircraft); and Training.

SENATOR LAUTENBERG: In fiscal 1989, you are requesting $15 million to assume the costs of operating interdiction helicopters in the Bahamas, which are currently being paid for by DOD. How do you reconcile assuming these additional costs, when you are having so much difficulty funding your current level of interdiction effort?

ANSWER: DOD agreed to perform and fund the operations in this area until other agencies and their assets came on line. This

function is inherently a Coast Guard function in an area of Coast Guard operations. As the interdiction agency responsible for these services, it is only proper that the Coast Guard request the follow on funding to make this opperation effective.

The air interdiction effort, including OPBAT, was not cut back to 55% like the surface patrols. This decision was made in order to address the higher general aviation smuggling threat. We have demonstrated our effectiveness in our Nassau site and are ready to continue, as scheduled, in the second and third sites.

SENATOR LAUTENBERG: Workload data in your budget submission (pp. 12-16) show that the impact of your funding shortfall was concentrated almost entirely in law enforcement activities (i.e., fisheries and general law enforcement). Why is law enforcement the only area to be reduced?

ANSWER: The fiscal year 1988 budget shortfall was not apparent until funds were appropriated--when over one-fourth of the fiscal year had passed. Because it is an operating agency with a large investment in skilled personnel and expensive capital equipment, the Coast Guard can only with great difficulty accommodate an unexpected reduction in operating expenses. Personnel regulations prevented wholesale elimination of people, which would in any event have wasted a major investment in training and experience. Similarly, cancellation of all maintenance would have degraded the capital plant to such an extent that it would have taken years to recover. Many other expenses, such as for rent, utilities, and many supplies and services are also essentially fixed in the short term. These factors therefore forced an inordinate reduction in routine operations.

However, many Coast Guard operations permit little discretion for reductions. Search and rescue (SAR), for example, is "demand driven". Many other missions are tied directly to the safety of life and property, including SAR, maintenance of the aids to navigation system, environmental response and marine safety. The public expects a certain level of service in these areas and reductions cannot be reasonably implemented in the short term. This caused fiscal year 1988 reductions to fall disproportionately on more discretionary missions. As the Coast Guard's largest operating program, using extensive amounts of cutter and aircraft patrol time, law enforcement was most visibly affected.

WARRANTIES

SENATOR LAUTENBERG: What were the results of OMB's review of the draft regulation covering warranties?

ANSWER: OMB concurred with DOT's regulation published as a "Notice of Proposed Rulemaking" in the Federal Register on February 4, 1988.

SENATOR LAUTENBERG: When was the regulation published?

ANSWER: A "Notice of Proposed Rulemaking" was published in the Federal Register on February 4, 1988. DOT anticipates publication of the "Final Rule" in the Federal Register during July 1988.

SENATOR LAUTENBERG: Has your experience with warranties to date indicated that they are cost-effective? (Please give us some examples to illustrate your point.)

ANSWER: No major systems contracts have been awarded since the requirement for separate pricing of warranties was promulgated. Major system acquisitions, awarded prior to the requirement for separate pricing, and subsequent to 1984, contained warranty provisions, but the cost was not indicated. The cost-effectiveness is, therefore, indeterminate. Future major system acquisitions will carry a separate line item for warranties to facilitate determination and analysis of warranty costs.

COASTAL DEFENSE AUGMENTATION FUNDING

SENATOR LAUTENBERG: Please provide for the record separate AC&I budget justification pages for each item funded under the $20 million fiscal year 1988 Coastal Defense Augmentation Appropriation.

ANSWER: Funding has been appropriated under the FY 1988 DOD Coastal Defense Augmentation Account for development of prototype Anti-Submarine Warfare (ASW) equipment and subsequent installation aboard a 270-foot Medium Endurance Cutter. Plans for this project are currently under review.

AC&I SPENDING

SENATOR LAUTENBERG: You are requesting $348 million for Acquisition, Construction and Improvement projects for fiscal year 1989. Is this spending level sufficient to adequately maintain a capital base that will support your current level of service?

ANSWER: In fiscal year 1989 the President's level of $348 million for Acquisition, Construction and Improvement projects is barely sufficient to adequately maintain our current capital base and level of service. Since this budget was submitted, we have experienced increasing pressure on the costs of the projects included in the budget in terms of contractor Requests for Equitable Adjustments (REAs). In the past, we have handled such unplanned requirements from savings or canceled projects. However, the Coast Guard's sources have now been depleted since these same sources have also been used by Congress to offset $42.5 million in current budget authority in FY 1987 and 1988.

SENATOR LAUTENBERG: Where should AC&I emphasis be placed for the next several years?

ANSWER: The Coast Guard's emphasis in AC&I in the near-term will continue to be placed on multi-year hardware procurements presently under contract (e.g., 378' WHEC Fleet Renovation and Modernization, 210' WMEC Major Maintenance Availability, HH-60 Medium Range Recovery Helicopter). Other hardware replacements will also need to be emphasized (e.g., replacement buoy tenders, icebreakers, small boats). The Coast Guard's shore plant, which has recently been forced into relative neglect due to budget pressures, will also need increased emphasis for the next several years.

SENATOR LAUTENBERG: Over the past year, which particular procurements have proven to be the biggest problem in terms of getting funds obligated promptly, and why?

ANSWER:

HU-25A Sensors - AIREYE Integration

Contractor unable to pass Defense Contractor Auditing Agency (DCAA) audits.

Establish Search and Rescue Station Crisfield

Negotiations under 8(a) program unsuccessful. Project currently being competitively bid

Support Center Seattle

Additional Hazardous waste studies and review were required, studies now completed.

Station Fort Point move to East Baker

Extensive Public Involvement during planning process. Additional environmental impact study called for.

Bahamian Docking Facility

Project for shore docking facility canceled. Project efforts redirected to a floating support facility.

WLIC Barge Lengthening

Design development problems.

Elizabeth City, N.C. Support Center

Extensive hazardous waste studies required to be conducted. Ongoing negotiation with EPA and state.

Montauk, NY Contract Station/Barracks/Dining Facility

Delay due to inability to award facility contract under 8(a) program. Project currently being competitively bid.

Yankeetown, FL contract Permanent Station.

Delay due to inability to award contract under 8(a) program. Project currently being competitively bid.

St Clair Shores, MI Build New Station

Delays due to inability to award under 8(a) program. Project currently being competitively bid.

SENATOR LAUTENBERG: Are you satisfied with your current record in getting AC&I funds obligated and what role has the Office of Acquisition had in reducing this balance?

Answer: We are satisfied with the progress we have made in obligating AC&I funds. In FY84, the AC&I carryover was $531 million compared to $204 million last year. Carryover projection for FY88 is $21 million.

The Office of Acquisition has made a substantial contribution in this area through appointment of a Flag Officer tasked to resolve issues in a timely mannner and though assignment of senior officers (mostly 0-6) as Project Managers. Project Managers are continuing to be trained at Defense Systems Management College (DSMC) and provide central control and resource management. They also exercise streamlining which, by eliminating some review steps, results in improved project and acquisition planning, especially acquisition strategy and life cycle costing, all of which contribute to timely obligation of our AC&I funds.

AC&I SPENDING

QUESTION: Please provide for the record a breakdown of all AC&I unobligated balances in the same format as you provided to the House Appropriations Committee.

ANSWER:

ACQUISITION, CONSTRUCTION AND IMPROVEMENTS PROJECTS

FY 1984 PROJECT	UNOBLIGATED BALANCES AS OF: 4/30/88	9/30/88	REASON FUNDS NOT YET OBLIGATED	PROJECTED* DATE OF OBLIGATION
HU-25A Sensors - Integra. (AIREYE)	6,102	0	On Schedule Multi-year Project	MAY 1988
HC-130 Forward Looking Airborne (FLAR)	6,409	0	On Schedule	MAY 1988
Selected Aids to Navigation	363	0	On Schedule	SEP 1988
Establish Search Rescue Station Crisfield	2,403	0	Unsuccessful 8(a) negotiations, redesigned to cost	SEP 1988
Base Charleston and Blast/Paint Facility	206	0	On Schedule Outfitting	SEP 1988
Communication/ Radio Stations HF Transmitters	701	0	Contracting Delays	SEP 1988
Medium Endurance Cutter (WMEC) 270's	1,000	0	On Schedule Multi-year Project	SEP 1988
55-Foot Buoy Boat (ANB) Procurement	229	0	On Schedule	AUG 1988
HH-3F Helicopter Dopplers	192	0	On Schedule	SEP 1988
Active Gated TV (AGTV)	757	0	On Schedule	MAY 1988

210' WMEC MMA	273	0	On Schedule Multi-year Project	SEP 1988
378' WHEC FRAM	361	0	On Schedule Multi-year Project	JUL 1988
Subtotal 1984 Projects	18,996	0		

*Reflects month when majority of obligation occurs. Some funds may exist beyond stated date for electronics and or outfitting.

FY 1985 PROJECT	UNOBLIGATED BALANCES AS OF: 4/30/88	9/30/88	REASON FUNDS NOT YET OBLIGATED	PROJECTED* DATE OF OBLIGATION
Selected Aids to Navigation	345	0	On Schedule	SEP 1988
Minor ATON Solar Power Conversion	229	0	On Schedule	SEP 1988
Lighthouse Automation and Modernization Program	247	0	On Schedule	SEP 1988
SUPRTCEN N.Y. Ferryboat Rehab.	1,388	0	Contracting Delays	SEP 1988
Cold Bay Alaska SAR Facility	12,107	0	Funds proposed to be reprogrammed in accordance with direction of FY 88 Continuing Resolution Conference Report #100-498; i.e. reprogramming required to accommodate $257.1 AC&I program level	JUN 1988
Base Detroit	1,037	0	A-76 Required Project Phasing	SEP 1988
New Orleans, LA Vessel Traffic Service (VTS) Phase I	3,343	0	Funds to be reprogrammed for Aerospatial claim. $6.1M already paid from committed unobligated balances	JUN 1988
270' WMEC	1,930	0	On Schedule Multi-year Project	SEP 1988
378' WHEC FRAM	1,500	0	On Schedule Multi-year Project	JUL 1988
Maintain Long Range Search (IRS) Capability Phase II	263	0	USN Contract procurement delays	SEP 1988
140' Icebreaker Tug (WTGB)	1,000	750	Pends resolution of Contractor Claims	JUN 1989
110' Patrol Boat (WPB)	125	0	On Schedule Multi-year Project	MAY 1988
Aerostats	150	0	On Schedule	JUN 1988
TALON	2,955	0	Change of Procurement Strategy	AUG 1988

HH-3F Helicopter Dopplers	1,265	0	On Schedule	MAY 1988
HC-130 Forward Looking Airborne Radar (FLAR)	1,002	0	On Schedule Multi-year Project	MAY 1988
Marine Safety Information System (MSIS) Host Development	340	0	On Schedule	MAY 1988
Subtotal, 1985 Projects	29,226	750		

*Reflects month when majority of obligation occurs. Some funds may exist beyond stated date for electronics and or outfitting.

FY 1986 PROJECT	UNOBLIGATED BALANCES AS OF: 4/30/88	9/30/88	REASON FUNDS NOT YET OBLIGATED	PROJECTED* DATE OF OBLIGATION
Station Short Beach Rebuild	175	0	Outfitting	SEP 1988
SUPRTCEN Seattle	3,094	0	Additional hazardous waste studies required	SEP 1988
VHF-FM Coverage Dillingham Ak	292	0	On Schedule	SEP 1988
SRR Aircraft	4,600	0	On Schedule Multi-year Project	MAY 1988
Station Fort Point to East Baker	2,200	0	Planning delays/ caused by extensive public request planned to relocate the station	SEP 1988
HU-25A Spares Provisioning	5,582	0	On Schedule	SEP 1988
HC-130 Procure.	243	0	On Schedule	SEP 1988
Active Gated Television(AGTV)	6,333	6,333	Contracting Delays	DEC 1988
378' WHEC FRAM	229	0	On Schedule Multi-year Project	JUL 1988
NORTHWIND Safety and Supportability Upgrade	696	0	Claims	SEP 1988
New Orleans LA, Vessel Traffic Service (VTS) Phase II	2,990	0	Funds to be reprogrammed for Aerospatial Claim $6.1M already paid from committed unobligated balances	JUN 1988
Distributed Computing System	659	0	On Schedule	MAY 1988
Secure Communications (Aircraft)	2,000	200	On Schedule	DEC 1988
Subtotal, 1986 Projects	29,093	6,533		

*Reflects month when majority of obligation occurs. Some funds may exist beyond stated date for electronics and or outfitting.

FY 1987 PROJECT	UNOBLIGATED BALANCES AS OF: 4/30/88	9/30/88	REASON FUNDS NOT YET OBLIGATED	PROJECTED* DATE OF OBLIGATION
Polar Class I/B Main Propulsion Consoles	1,084	1,000	On Schedule	DEC 1990
River Tender (WLR) Replace.	2,511	0	On Schedule	AUG 1988
2nd District Barges	400	400	On Schedule	SEP 1989
Public Family Qtr.	1,207	0	On Schedule	SEP 1988
Minor Shore Construction	143	0	On Schedule	SEP 1988
SUPRTCEN N. Y. Electrical Upgrade	2,000	0	On Schedule	SEP 1988
Station Lorain Replace Bldg.	169	0	Outfitting	SEP 1988
Elizabeth City Ground Water Purging, PH I	1,850	1,200	Additional hazardous waste studies required	SEP 1989
Station Grand Haven Consolidate Facilities	111	0	Outfitting	SEP 1988
Bahamian Docking Facility	4,489	3,800	Project redirected to a mobile support facility. Plans under review; congressional concerns incorporated	SEP 1990
Petaluma ET/TT Classroom Bldg.	386	0	Outfitting	SEP 1988
Yorktown Medical /Dental Building	490	490	Outfitting	JUL 1989
Lighthouse Automation and Modernization Program	270	0	On Schedule	SEP 1988
SRR Escallation	3,736	0	On Schedule	SEP 1988
Standard Terminals for Vessels PH II	2,575	0	On Schedule	SEP 1988
Information Resource Mgmt. Systems	900	900	On Schedule	OCT 1988
Secure Voice Communications Installations PH II	1,130	0	On Schedule	MAY 1988
Secure Communications	4,169	0	On Schedule	MAY 1988
378' WHEC FRAM	1,500	0	On Schedule Multi-year Project	JUL 1988
110' Patrol Boat (WPB)	335	125	On Schedule Multi-year Project	JUL 1990
Deployable Port Security Units	1,588	0	On Schedule	JUN 1988

Digital Encryption System (DES)	1,114	0	On Schedule	SEP 1988
Subtotal, 1987 Projects	32,157	7,915		

*Reflects month when majority of obligation occurs. Some funds may exist beyond stated date for electronics and or outfitting.

FY 1988 PROJECT	UNOBLIGATED BALANCES AS OF: 4/30/88	9/30/88	REASON FUNDS NOT YET OBLIGATED	PROJECTED* DATE OF OBLIGATION
WLIC Barge Lengthening	2,450	2,450	Design development problems	SEP 1990
210' MMA	27,925	0	On Schedule Multi-year Project	AUG 1988
Survey & Design Vessels	645	0	Monthly Obligations	SEP 1988
Survey & Design Shore Facilities	1,299	0	Monthly Obligations	SEP 1988
Public Family Quarters - Shore	10,366	0	On Schedule	MAY 1988
Minor AC&I Shore Construction	5,121	0	Periodic Obligations	SEP 1988
Underground Storage Tank Cleanup Program	3,200	1,000	On Schedule	NOV 1988
Alameda, CA Support Center Clinic Replace.	3,000	0	On Schedule	SEP 1988
Elizabeth City, NC Support Center Ground-water purging PH II	1,800	1,700	Pends outcome of hazardous waste studies required for FY 87 Phase I project	SEP 1989
Montauk, NY Construct Station Barracks/Dining Facility	1,200	0	Possible carry-over due to decision on 8(a) contracting vs Invitation for Bid (IFB)	SEP 1988
Yankeetown, FL Construct Permanent station	1,300	0	Possible carry-over due to decision on 8(a) contracting vs IFB	SEP 1988
St Clair Shores, MI Build New Station	2,400	0	Possible carry-over due to decision on 8(a) contracting vs IFB	SEP 1988
Petaluma, CA Training Center Unaccompanied Personnal Housing (UPH) and Dinning Facility	11,800	0	On Schedule	SEP 1988
Selected Aids To Navigation	667	0	On Schedule	SEP 1988
Lighthouse Automation and Modernization	1,039	300	On Schedule	DEC 1988

C3 Survey and Design	600	0	On Schedule	SEP 1988
Distributed Computing System	1,400	0	On Schedule	SEP 1988
270' WMEC	1,100	0	On Schedule Multi-year Project	MAY 1988
378' WHEC FRAM	8,130	0	On Schedule Multi-year Project	JUL 1988
Polar Icebreaker Replacement	1,700	515	On Schedule	JUN 1989
Motor Lifeboat Replacement	1,500	0	On Schedule	SEP 1988
Acquisition Project Support Services	600	0	Monthly Obligations	SEP 1988
AC&I Personnel and related costs	9,200	0	Monthly Obligations	SEP 1988
Subtotal, 1988 Projects	98,442	5,965		
GRAND TOTAL, AC&I	207,914	21,163 **		

*Reflects month when majority of obligation occurs. Some funds may exist beyond stated date for electronics and or outfitting.

** The unobligated balance on 9/30/88 does not accommodate pending contract claims which could require significant reprogramming action in FY 1988.

270 FOOT WMEC PROCUREMENTS

SENATOR LAUTENBERG: You are requesting $13.3 million to complete the contract for the 270' WMEC's, 5 through 13. How much of the $13.3 million is for each of the following: price escalation, retrofit costs, and other modifications?

ANSWER: Table A contains the information requested.

SENATOR LAUTENBERG: Please update the schedules for cutter deliveries and funding history shown on pp. 270 and 272 of last year's hearing record.

ANSWER: Table B contains an updated delivery schedule and Table C contains an updated funding history for the 270 foot WMEC procurements.

SENATOR LAUTENBERG: Two years ago, your budget estimated the last two years' worth of 270-foot cutter costs to be $15.7 million. Last year, this amount was estimated at $18.5 million. This year, your final year request is $13.3 million, which brings the two-year total to $23.4 million. That's 48 percent higher than the estimate you provided only two years ago. Why have these costs risen so drastically? And if these cost increases were related to retrofits, what specific retrofits were identified over the last year that were unknown and unplanned for last year.

ANSWER: The actual increase requested two years ago was $3.2 million and an additional $4.5 million this year. The additional funds are for solutions to the magnetic bubble memories and optical

sight problems. Technical Evaluation (TECHEVAL) revealed additional problems. COMDAC passed 43 out of 54 test areas in TECHEVAL. We need to fix software and documentation problems before proceeding to Operational Evaluation with the U.S. Navy. In addition to Economic Price Adjustment, other increases were caused by MK-29 gyro problems, damage to TAHOMA reduction gear, and pier construction in Long Beach.

TABLE A

	($ MILLION)
Price escalation (1)	3.5
Retrofit costs (2)	0.6
Other Modifications	
- Contract and spare parts increase	3.4
- COMDAC	4.6
- Pier Construction	1.2
	$13.3

Note: (1) Escalation is expected to exceed prior year estimates by an additional one percent.

(2) The Preliminary Trial Board has identified several miscellaneous retrofit items, primarily safety related, that cost about $70,000 per ship to correct. Following configuration management principles the items will be corrected on all nine B class cutters.

TABLE B

270-FOOT CUTTER DELIVERY SCHEDULES

Cutter	Original Contract Delivery	Current Contract Delivery	Estimated Commissioning	Estimated Ready for Operations	Homeport
Bear	Dec. 31, 1980	Jan. 25, 1983	Jan. 25, 1983*	Jan. 1985*	Portsmouth, VA
Tampa	Apr. 30, 1981	Dec. 05, 1983	Dec. 05, 1983*	Dec. 1985*	Portsmouth, VA
Harriet Lane	Aug. 28, 1981	May 09, 1984	May 09, 1984*	Mar. 1986*	Portsmouth, VA
Northland	Dec. 26, 1981	Jul. 15, 1984	Jul. 15, 1984*	Jun. 1986*	Portsmouth, VA
Spencer	Jun. 16, 1984	Dec. 09, 1985	Dec. 09, 1985*	Dec. 1986*	Boston, MA
Seneca	Oct. 14, 1984	Jul. 15, 1986	Jul. 15, 1986*	Jul. 1988*	Boston, MA
Escanaba	Feb. 11, 1985	Feb. 03, 1987	Feb. 03, 1987*	Jan. 1988*	Boston, MA
Tahoma	Jun. 11, 1985	Aug. 12, 1987	Aug. 12, 1987*	Aug. 1988	New Bedford, MA
Campbell	Oct. 09, 1985	Jan. 07, 1988	Jan. 07, 1988*	Jan. 1989	New Bedford, MA
Thetis	Feb. 06, 1986	May 06, 1988	Jun. 1988	Jun. 1989	Key West, FL
Forward	Jun. 06, 1986	Oct. 06, 1988	Dec. 1988	Dec. 1989	Portsmouth, VA
Legare	Oct. 04, 1986	Feb. 20, 1989	Apr. 1989	Apr. 1990	Long Beach, CA
Mohawk	Feb. 01, 1987	Jul. 30, 1989	Aug. 1989	Aug. 1990	Long Beach, CA

* Actual date

The Coast Guard and Derecktor Shipyard settled all outstanding claims for delays on the contract for the period up to September 23, 1987 except for that in connection with loss/damage to the Reduction Gear on TAHOMA. The agreed to contract delivery dates are as shown above. Delays for CAMPBELL and succeeding hulls was due primarily to litigation instituted by TAHOMA Shipyard protesting the phase II contract award to Derecktor Shipyard. Other contributing factors were problems with TAHOMA's reduction gear and CAMPBELL's gun mount both of which impacted the schedule for the hull's which followed.

TABLE C
($ Million)

	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	Estimate FY89	TOTAL
Appropriations	49.0	55.8	100.8	106.4	101.9	177.1	101.8	16.2	58.0	5.5	4.4	10.0	13.3	800.2
Reprogram [1]				(0.3)					(6.1)					(6.4)
Obligations:														
SHIPS 1-4														
Contract [2]	1.7	112.2	6.1	17.0	17.6	12.1	13.9	6.2	2.7	0.4				189.9
Escalation		2.0	5.5	1.5	14.0	5.0	18.3							46.3
Retrofit				0.1	0.1	1.2	10.2	5.8	1.8					19.2
SHIPS 5-13														
Contract [2]			0.2	0.3	236.4	117.6	5.3	12.5	13.1	9.7	1.9	2.7	1.5	401.2
Escalation					0.1	9.0	11.8	14.1	10.1	8.5	6.8	7.5	2.0	69.9
Retrofit [3]								0.2	0.2	2.1	1.9	1.4	1.0	6.8
SHORE SUPPORT														
COMDAC System [4]			2.8		2.0	6.5	0.8	7.2	9.8	1.6	1.5	3.9	0.5	36.6
COMDAC SUPRTFAC [5]					0.2	6.9		2.3	3.7	0.2				13.3
Maintenance Pier facilites							2.1		1.8	5.5		1.2		10.6
GRAND TOTAL	1.7	114.2	14.6	18.9	270.4	158.3	62.4	48.3	43.2	28.0	12.1	16.7	5.0	793.8
Outlay	0.1	1.1	35.8	45.8	34.2	86.4	161.6	122.6	79.8	70.1	133.0			

(1) Reprogramming in fiscal year 1980 was for icebreaker retrofit. Reprogramming in fiscal year 1985 was $5 million to exercise option on 16th 110-foot WPB and $1.1 million for emergency repairs on CCG CHASE.
(2) Includes basic contract, contract modifications, spare parts, outfit, COMDAC hardware and retrofit items.
(3) Incorporated most hull & machinery retrofit items into Derecktor contract for vessels still under construction.
(4) Includes COMDAC software development costs of $25 million .
(5) Includes COMDAC Shore Facility Cost.

SENATOR LAUTENBURG: Is the computerized command and control system for the 270 foot WMEC able to meet your original operating requirements? Please expand your answer for the record.

ANSWER: Yes. The following table summarizes the original requirements versus current capabilities:

Original Requirement	Current Capability (%)
Target Tracking	100
Navigation	100
Maneuvering Solutions	100
Communications	100
Search and Rescue	100
Weapons Management	5 1)
Enforcement of Laws and Treaties	15 2)
Personnel Management	0 2)
Damage Control	0.3)

1) Requirement deferred
2) Requirement satisfied on alternative equipment.
3) Requirement deleted

BUOY TENDER REPLACEMENT

SENATOR LAUTENBERG: You state that six WLM'S will reach the end of their "useful service lives between 1986 and 1990." You also state, in effect, that even if the $3.3 million you are requesting for feasibility studies and conceptual designs for replacement buoy tenders is provided, construction of lead ships won't begin until fiscal year 1992. If that is so, why weren't funds requested in prior fiscal years for feasibility studies and conceptual designs for replacement?

ANSWER: The Seagoing Buoy Tender (WLB) Capability Replacement Project was designated a Major System on September 27, 1979. Subsequently, the project was expanded to include coastal buoy tenders (WLM) because of concern over the approaching end of service lives of approximately half of the WLM fleet. As the replacement project was designated a major system acquisition, it necessarily came under the guidelines of Office of Management and Budget (OMB) Circular A-109. The first step of the replacement process under these guidelines was the development and approval of a Mission Need Statement (MNS). The WLB/WLM MNS was submitted by the Coast Guard to the Office of the Secretary of Transportation (OST) in July 1985 after Coast Guard responded to OST questions. The MNS was conditionally approved by OST on December 1, 1986. Funds for conceptual design and feasibility studies cannot be obligated until after approval of the Acquisition Paper by OST that will authorize the Coast Guard to proceed with the "Concept Exploration" phase of the A-109 process. The Acquisition Paper is expected to be approved this summer and conceptual design contracts solicited in fiscal year 1989.

SENATOR LAUTENBERG: Why aren't these studies and designs being funded under the surveys and design account?

ANSWER: They could be ... and we would raise the Survey and Design (S&D) amount requested accordingly. As a rule, however, we

use S&D (as well as RDT&E) as appropriate to support projects prior to entry into the Major Acquisition process (governed by OMB Circular A-109). The WLB/WLM has now entered that process. Further, the contract award(s) contemplated in the FY 1989 Budget will, through option clauses, lead directly to a limited production run of vessels. We do not believe it is appropriate to separately award the basic contract under Survey and Design and the production options under the WLB/WLM project. By entering the Budget as we have, it also allows Congress to see the full outyear effects of the funding decision it is being asked to make.

SENATOR LAUTENBERG: For practical purposes, what is meant by "useful service life"?

ANSWER: A "service life", "useful service life", or "economic service life" is generally accepted to be the number of years a vessel can be operated within its design limitations for availability, reliability, cost of operation, and required maintenance. When a vessel is operated beyond the end of its service life, typically the overall cost of operation goes up because of increased maintenance requirements, decreased availability, and decreased reliability (old systems failing more often). In addition, major vessels become technically obsolete as technological advances are made. Service life can be extended through Fleet Renovation And Modernization (FRAM) and Service Life Extension Project (SLEP) programs. However, vessels reach a point of no return where it is impractical to extend service life through major renovation. A typical design service life for a low tech vessel would be 30 years. The goal of most service life extension projects is to extend the service life of a vessel by 10 to 15 years.

SENATOR LAUTENBERG: How will the buoy related mission requirements be met until new replacements are available?

ANSWER: The Coast Guard will continue to repair and operate the existing buoy tender fleet at increased cost in time and money until the replacements are available. Increased maintenance time will mean buoy tenders will have to be increasingly focused on buoy operations and will have less time available for other missions. Eventually, some short range aids to navigation system degradation will result as aids to navigation discrepancy response and servicing criteria can no longer be met if replacement buoy tenders are not provided in a timely fashion.

SENATOR LAUTENBERG: How many years of service life will be derived from the 180 foot SLEP program for each vessel?

ANSWER: The Service Life Extension Project (SLEP) is designed to extend the service life of the 180 foot seagoing buoy tenders by 15 years.

SENATOR LAUTENBERG: Please explain more fully how the design process will proceed, how it compares with your traditional approach in developing these designs, and, if different, why this approach is necessary.

ANSWER: We are currently preparing the buoy tender acquisition strategy. We intend to base the acquisition on a Circular of Requirements (COR). The COR is a performance-based document which

describes our requirements for the ship in terms of performance, logistics, and safety considerations. The COR will form the basis upon which contractors will develop their prospective designs and prepare their bids. We expect shipyards to team with ship design firms (unless they have a design capability of their own) to participate in a design competition which will eventually result in award of a leadship contract for the successful contractor.

Initially, the competition will be open to anyone. In response to a Request for Proposal (RFP) which contains the COR, proposers will provide their ideas in the form of preliminary designs. Two or three proposers will be awarded a contract to develop their designs more fully into a contract design. Upon completion of the contract design, one contractor will be selected to build a lead ship. After a test period to ensure the vessel meets the requirements of the COR, production vessels will be ordered. The contract will include an option for the shipyard building the leadship to build up to four pre-production vessels while a full production run contract is being competed-- once again, open to all qualified bidders. The option provision has been included to acquire an initial operational capability as soon as possible (in view of the age of our fleet) and to broaden the financial attractiveness of the initial competition.

This strategy differs from our traditional ship design approach because the preliminary and contract designs will be provided by industry instead of being developed in-house. This approach is typical of U.S. Navy non-combatant, auxiliary ship acquisitions for vessels of the general size anticipated for the replacement of the buoy tenders. In the above described strategy we must still do the initial work of defining our requirements and translating them into the COR.

The proposed approach for this acquisition is necessary to maximize participation of industry early in the design process to take advantage of their innovative and current ideas on both design and construction techniques. This should provide an opportunity to consider a greater number of concepts before selecting one. Industry will accept the design risk in meeting our requirements. The final cost to the government should be lower because the linkage between the shipyard and design teams will ensure that production costs are considered throughout the development process. This process encompasses the policies of OMB circular A-109.

MOTOR LIFEBOAT REPLACEMENT

SENATOR LAUTENBERG: You are requesting $500,000 for prototype testing of a motor lifeboat. We appropriated $1.5 million to buy the prototype and conduct these tests last year. Does this indicate that this program is starting out with a 33 percent cost overrun? If so, why?

ANSWER: No. The original FY 1988 request for $1.5 million was for prototype design and construction, and to initiate testing. The $500 thousand in FY 1989 is to complete the testing program.

SENATOR LAUTENBERG: Please update the 44 foot MLB replacement project procurement milestone schedules shown on page 274 of last year's hearing record.

ANSWER: The motor lifeboat replacement project milestones are as follows:

Award Limited Production Contract	Jun 88
Complete Prototype Contract Design	Feb 89
Complete Prototype Construction	Nov 89
Start Prototype Evaluation	Dec 89
Start 5 Boat Pre-Production Construction	Jun 90
Start Pre-Production Evaluation	Jul 91
Award Full Production Contract	1992

The April 1987 limited production contract solicitation was cancelled due to lack of adequate competition as a small business set aside. The solicitation was re-issued October 1987 with full and open competition. The limited production contract award and subsequent milestones were changed accordingly.

POLAR ICEBREAKER ACQUISITION

SENATOR LAUTENBERG: You are requesting $1 million to begin the acquisition process to replace the Wind Class polar icebreakers. Last year, you stated that the results of a pre-solicitation conference regarding the leasing of icebreakers were, in effect, not very promising. Specifically, the uncertainty of the Coast Guard receiving authorization to lease and the 45-day response time for an RFP negatively affected your ability to retain interest from a number of companies. You are requesting $1 million to continue design development and RFP preparation for new polar icebreakers. We appropriated $2 million for this purpose last year, which we thought would cover this cost. Why have your costs increased by 50 percent?

ANSWER: The Coast Guard continues to work with OMB, OST and user agencies to procure new polar icebreaker capabilities which satisfy the country's needs in the most economical manner. Direction to validate requirements and change strategies has resulted in increased pre-solicitation costs. As we prepare to accommodate these needs, the Coast Guard is researching two methods for the acquisition of icebreakers including the feasibility of leasing an ice breaker and the use of a performance specification package.

In order to take advantage of potential cost savings which may result from allowing industry maximum possible latitude to propose design alternatives, the Coast Guard design will be used as only a portion of a performance specification package. This will require additional work to prepare the total specification package and the request for proposal package. This, together with the continuing lease proposal work, will require the additional funding requested.

SENATOR LAUTENBERG: Where did the requirement for a 45-Day response time to an RFP come from?

ANSWER: The 45 day response time proposed at the lease pre-solicitation conference in February 1987 was based on the intent to use a streamlined source selection process. The comments received from industry at the conference will be considered before issuing the RFP and it is anticipated that a longer industry response time will be allowed.

SENATOR LAUTENBERG: How many companies remained interested despite the two negative factors?

ANSWER: No survey was taken after the pre-solicitation conference in February 1987. However, the shipbuilding industry is very interested in building an icebreaker. Every attempt will be made to eliminate factors which would discourage industry interest. The response time should not be seen as a significant factor in deterring interest since such an issue can be easily resolved. There is no intent to issue a lease RFP without legislative authority for a long term lease so that also should not be a significant issue.

SENATOR LAUTENBERG: Given the negative factors as well as the users' requirements and needed characteristics, does the Coast Guard believe that leasing is still feasible? If so, why?

ANSWER: A long term lease is considered feasible if long term lease legislative authority is provided and if the lease proves to be less expensive than purchase as per the required OMB Circular A-104 analysis. The issue of response time can and will be resolved with industry and is not seen as a major issue. Legislative authority will be sought for a long term lease. If it is provided and if the lease appears to possibly be less expensive than purchase, proposals for both lease and purchase will be solicited and the most economical alternative will be used.

SENATOR LAUTENBERG: When will you make your final decision on whether to recommend leasing or buying additional icebreakers and the timing necessary for acquiring such capability?

ANSWER: The Coast Guard is continuing the analysis of the lease versus purchase alternatives. The detailed methodology laid out in OMB Circular A-104 is being used to compare the cost of the alternatives. The best possible cost data for the A-104 analysis will be provided by actual price proposals from industry for both lease and purchase. Proposals cannot be solicited from industry until legislative authority to enter into a long term lease is enacted and there is a reasonably firm assurance that budget authority will be available when needed. Cost data from industry proposals will be available and the cost analysis completed within 12 months after proposals are solicited. In the interim the Coast Guard is preparing a preliminary A-104 analysis using the data available. This analysis will be completed in January 1989 and is expected to provide an initial indication of which alternative is best.

The icebreaker acquisition schedule is as follows:

	Months after appropriation and legislative authority to lease or buy.
Issue Design and Construction Request for Proposal	4 Months
Award for Detailed Design and Construction	16 Months
Delivery	64 Months
Polar Icebreaker Replacement Operational	73 Months

SENATOR LAUTENBERG: Please provide for the record a detailed summary of the methodology you are using to cost out and compare the lease versus buy options, a detailed timetable for completing this analysis, a breakdown of the costs of this analysis, and the names of any contractors used in this effort.

ANSWER: The detailed methodology prescribed in OMB Circular A-104 is being used to compare the cost of icebreaker acquisition by purchase to long term lease (bareboat charter). In both cases identical new construction icebreakers to be operated and maintained in identical ways are being evaluated. The best possible cost data input to the A-104 analysis would be provided by actual price proposals from industry for both lease and purchase. Proposals however cannot be solicited from industry until legislative authority to enter into a long term lease is enacted and there is a reasonably firm assurance that necessary budget authority will be available when needed. It is anticipated the cost data from industry proposals will be available and the cost analysis can be completed within 12 months after proposals are solicited. In the interim the Coast Guard is preparing a preliminary A-104 analysis using available data . The Coast Guard's analysis will be completed in January 1989 and is expected to provide an initial indication on which alternative is best.

Some of the factors being included in the preliminary analysis include ship construction costs, the cost of construction period changes, placement fees, interest rates for construction period financing, and the long term interest rates used over the thirty year lease period. Costs relating to operation, maintenance, overhaul, etc. are not being considered as they will be the same for both alternatives. Other factors being looked at which may or may not be significant include insurance costs and state and local property taxes.

The preliminary analysis is being done with in-house personnel. It is estimated that the effort will require approximately 2000 man-hours. A contractor with experience in executing government lease of ships (build and charter program) is being considered as a possible advisor and reviewer of the A-104 analysis but no contract has been awarded to date.

SENATOR LAUTENBERG: You have chosen to replace the existing icebreaker capacity that has room for a 12-person science party with new capacity for a 30-person science party and 5 labs. Please explain how this larger capacity was determined and also describe the options that were considered and why they were.

ANSWER: The Coast Guard has attempted to follow the Congressional direction in the Coast Guard Authorization Act of 1984 "that all appropriate military, scientific, economic, and environmental interests are taken into account." The current 12-person science party capacity on the Wind Class, the 20-person capacity on the Polar Class and the lab facilities on both classes of vessels have proven inadequate. In the replacement project, the Polar Icebreaker Users Council (consisting of the Department of Defense represented by the U. S. Navy, the National Science Foundation, the Maritime Administration and the U. S. Coast Guard) was consulted during all phases of the requirements definition and design process. A detailed mail survey of over 100 polar scientists, administrators, and institution heads provided additional data for establishing the initial set of requirements. Further information on science support requirements was acquired

through sponsoring or participating in numerous workshops, symposia, briefings, and visiting oceanographic institutions. The science support requirements of the replacement icebreaker represent a distillation of information from this broad base of input which has been evaluated and tempered in the light of vessel size and cost realism. The 5 labs are provided because of the need to do conflicting types of scientific work simultaneously. The total lab space however, is only about 60% of what the National Science Foundation states is needed in a dedicated Antarctic Research Icebreaker. The 30-person berthing capacity comes from the combination of the requirements of many different individual scientific projects. It will allow effective scientific utilization of the icebreaker but will certainly not accommodate all users simultaneously and it is only about 80% of what the National Science Foundation states is needed in a dedicated Antarctic Research Icebreaker. Throughout the process conflicts among disciplines were resolved to optimize overall requirements and ensure the provided capability would be as effective as possible in meeting scientific needs to the year 2024. This process did not include the development and selection of options but rather it was the process of selecting the correct point from a continuum of possible points.

SENATOR LAUTENBERG: Why did you slip the award of a ship detail design and construction contract or a lease from the 4th quarter of fiscal year 1988 to the second quarter of fiscal year 1989 given that the contract design was to be completed on schedule in November 1987?

ANSWER: An icebreaker detail design and construction contract or lease contract was not awarded in 1988 and an RFP has not been issued due to lack of budget authority. There is also a desire to modify the acquisition to take advantage of any cost savings which may be possible by allowing industry to propose alternate designs. In order to do this a design based performance specification is being developed which will allow industry to propose alternative designs within certain parameters.

The icebreaker acquisition schedule is contingent on having legislative authority to enter into a long term lease and a reasonably firm assurance that budget authority will be available when needed. The schedule is as follows:

	Months after appropriation and legislative authority to lease or buy.
Issue Design and Construction Request for Proposal	4 Months
Award for Detailed Design and Construction	16 Months
Delivery	64 Months
Polar Icebreaker Replacement Operational	73 Months

HIGH ENDURANCE CUTTER FRAM PROGRAM

SENATOR LAUTENBERG: You are requesting $79 million to continue the FRAM program for the 378-foot cutters. Your budget states that this amount does not include "Contractor Requests for Equitable Adjustment." How much in additional adjustments is the contractor requesting, for what reason, who will decide the amounts of such adjustment, and when will this be decided?

ANSWER: The most current estimates of FRAM project costs indicate that FRAM will require $51.2 million additional funding, above the $79 million requested, in FY 1989. Both contractors have submitted Requests for Equitable Adjustment (REAs).

Todd Pacific Shipyard in Seattle has submitted a request for $17.5 million for delay and disruption caused by late delivery of ship's drawings and defective government furnished information. The final amount will be negotiated between the Coast Guard and Todd. Much of the original amount requested is addressed in various modifications to the contract. The remaining issues are planned to be negotiated with the contractor prior to the end of 1988.

Bath Iron Works (BIW) has previously submitted seven REAs totaling $89.3 million; consisting of three for the Cutter HAMILTON, two for the Cutter DALLAS, one for the Cutter CHASE and one for the Cutter GALLATIN. These REAs were submitted for delay and disruption due to late delivery of ships' drawings and defective government furnished information; defective government specifications; and, late delivery of government furnished equipment. The Coast Guard recognizes that BIW is due compensation on many of the issues contained in the REAs; but, based on documentation provided by BIW, the Coast Guard does not concur with the amount BIW seeks. Provisional funding has been provided BIW to the extent the Coast Guard feels is fair and warranted. Attempted negotiations to determine BIW's justification for the level of compensation sought have been unsuccessful. BIW has declined to negotiate issue-by-issue settlement based on merit and has filed suit in Federal District Court, District of Maine.

SENATOR LAUTENBERG: Please provide a breakdown of the dates and amounts for which FRAM progress payments are scheduled to be made using FY 1989 funds.

ANSWER: Progress payments are made to the contractors in accordance with the contract payments clause. Progress payments are liquidated against funds previously obligated for each vessel. Payments are made as often as twice each month on request by the contractors. The amount of each payment depends upon actual progress on each cutter. However, it is difficult to accurately predict progress payments. We have made over 30 payments during the 12 month period ending April 30, 1988 totaling the following amounts:

Contractor	Progress Payments
BIW	$41,471,000
Todd	$50,585,000

SENATOR LAUTENBERG: Last year you stated that the schedule delay and start up problems will result in cost growth. How much cost growth was due to those factors?

ANSWER: Both contractors have submitted Requests for Equitable Adjustment which include compensation for costs caused by schedule delays and start up problems. None of these requests has been contractually settled. Provisional funding in the form of contract price increases has been provided to partially compensate both contractors, where justified by procurement regulations. Currently Todd Shipyard is requesting $17.5 million and Bath Iron Works (BIW) is requesting $89.3 million (total of seven requests from BIW). On May 2, 1988, BIW filed suit in Federal District Court, District of Maine alleging breach of contract and is seeking a judgment of $90 million.

SENATOR LAUTENBERG: Why will the maximum speed to these craft be 3 knots slower than what it was before the FRAM?

ANSWER: Pre-FRAM cutters have a displacement of about 3,000 long tons (LT). Post-FRAM cutters will have a displacement of about 3,324 LT due to the installation of additional equipment and systems. The increase in displacement will increase the vessels' draft, but available propulsion power does not change during FRAM. The net effect of FRAM changes will be a decrease in the maximum speed by approximately 3 knots.

SENATOR LAUTENBERG: Please provide for the record a summary of the FRAM delivery schedule similar in format to what appears on page 624 of last year's house subcommittee hearing record.

ANSWER: A summary of the FRAM delivery schedule follows.

378-FOOT CUTTER DELIVERY SCHEDULE

	ORIGINAL CONTRACT DELIVERY DATE	CURRENT CONTRACT DELIVERY DATE	ESTIMATED COMMIS-SIONING	ESTIMATED READY FOR OPS
EAST				
HAMILTON	May 87	Oct-88	Nov-88	Apr-89
DALLAS	Jan-88	Jun-89	Jul-89	Nov-89
CHASE	Sep-88	May-90	Jun-90	Oct-90
GALLATIN	Apr-89	Nov-90	Dec-90	Apr-91
WEST				
MELLON	Apr-87	Nov-88	Dec-88	May-89
SHERMAN	Sep-87	Feb-89	Mar-89	Jul-89
MUNRO	Feb-88	Jun-89	Jul-89	Nov-89
BOUTWELL*	Dec-88	Feb-90	Mar-90	Jul-90
RUSH*	Jul-88	May-90	Jun-90	Oct-90
MORGENTHAU	May-89	Sep-90	Oct-90	Feb-91
JARVIS	Oct-89	May-91	Jun-91	Oct-91
MIDGETT	Mar-90	Aug-91	Sep-91	Jan-92

* The sequence of ships entering FRAM on the West Coast has been changed with BOUTWELL now preceding RUSH.

SENATOR LAUTENBERG: Please provide for the record a detailed breakdown of your $79 million FRAM request.

ANSWER:

ITEMS	($000)
Notification Fram Cutter #12	32,000
Contracts Modification	38,000
Logistics	8,000
Related Costs	1,000
Total	79,000

SENATOR LAUTENBERG: Please also provide a breakdown of FRAM appropriations, obligations, and outlays by shipyard for fiscal years 1982 through 1990.

ANSWER: The FRAM appropriations, obligations, and outlays are contained in Table A.

TABLE A

BREAKDOWN OF FRAM PROGRAM APPROPRIATIONS
[In thousands of dollars]

	FISCAL YEAR						Estimate		
	1982	1983	1984	1985	1986	1987	1988	1989	1990
CG APPROPRIATION	15,000	0	67,138	73,350	55,548	123,000 note (1)	139,000	130,170	69,440
NAVY FUNDS REPROGRAMMED				9,000	9,000	9,000	6,000 4,000	3,000	
OBLIGATIONS									
BATH				39,320	35,375	56,041	37,094	27,170	18,500
TODD				63,753	31,716	76,932	151,419	60,000	39500
HEADQUARTERS	250	240	2,611	18,427	16,014	5,227	10,561	11,000	11,440
TOTAL OBLIGATIONS	250	240	2,611	121,500 note (2)	83,105 note (3)	138,200 note (4)	199,074 note (5)	98,170 note (6)	69,440
OUTLAYS									
BATH				296	12,115	31,864			
TODD				134	15,553	46,779			
HEADQUARTERS	0	127	294	13,772	4,706	5,331			
TOTAL OUTLAYS	0	127	294	14,202	32,374	83,974	note (7)	note (7)	note (7)

note (1) In FY87 $90,500,000 appropriated and $32,500,000 Congressionally directed reprogramming.
note (2) Contract notification to proceed with hulls 1, 2, 3.
note (3) Contract notification to proceed with hulls 4, 5.
note (4) Contract notification to proceed with hulls 6, 7, 8.
note (5) Contract notification to proceed with hulls 9, 10, 11.
note (6) Contract notification to proceed with hull 12.
note (7) Outlays unknown.

SENATOR LAUTENBERG: On page 79, you are requesting $40.1 million to continue your "mid-life maintenance availability" (MMA) program for your 210-foot cutters. Last year we were told the total cost of this program was actually under-budget by $27 million — dropping from $230 million to $203 million (p.636). This year's request shows a total of $274 million -- an increase of 35 percent. What has happened to this program over the last year to cause this major cost increases?

ANSWER: 77 percent of this increase ($54,000K) is attributed to adjustments made to the the Colonna Shipyard contract. These adjustments include: claims, changes in scope, and correcting specification deficiencies. They have been negotiated and are near finalization. Substantial schedule slippage and cost growth due to an incomplete design package and shipyard management problems should subside as design problems are rectified and Colonna begins hull #3.

The remaining 23 percent ($16,000K) increase is as follows: $5,000K increase in provisioning costs; $8,500K increased Equitable Price Adjustments as project stretches out into future years; and, $2,500K increase primarily in design costs along with other administrative increases.

WHEC WEAPONS SYSTEM MODERNIZATION

SENATOR LAUTENBERG: You are requesting $3.1 million to begin a $36.3 million program to install new weapons bought by the Navy for your 378-foot cutters. What weapon systems will be installed with the $3.1 million, what is the status of Navy funding for those weapons, and when will these weapons be installed by the Coast Guard?

ANSWER: The Phalanx Close-In-Weapon System (CIWS) and Harpoon Missile System are programmed to be installed aboard each 378-foot cutter. CIWS is an automatic fast reaction missile defense system. Harpoon is a medium range surface-to-surface missile system. Both are widely used by the Navy. The Navy is providing the Coast Guard its first systems in FY89 and is currently training Coast Guard personnel in operations and maintenance as well as assisting in installation design and logistics. The Navy's delivery schedule and the Coast Guard's installation plan are being developed so that both systems are installed concurrently within 60 days of delivery. Plans are to install CIWS and Harpoon aboard one cutter in FY89, four in FY90, four in FY91 and three in FY92.

MEDIUM RANGE RECOVERY HELICOPTERS

SENATOR LAUTENBERG: You are requesting $93.3 million to continue the medium range helicopter replacement program. According to information provided for the record last year, the total cost of the MRR helicopter program is $455 million. Has this estimate changed at all? If so, by how much and why?

ANSWER: The new estimate for the MRR helicopter program is $496.4 million. The $41.4 million increase over the estimate provided last year is due to:

(1) firm fixed price aircraft contract costs are now defined;
(2) spares provisionary requirements have been refined; and
(3) support costs have increased due to better definition of equipment and testing requirements necessary at field activities.

SENATOR LAUTENBERG: You are experiencing a lot of difficulty with the engines on the short range helicopters. Can you assure us that we will have no similar occurrences with the medium range helicopters?

ANSWER: We anticipate no difficulties with the engine being installed in the medium range helicopter. The engine being installed is one presently being used in the Navy's fleet of H-60s and is experiencing a very high level of reliability.

SENATOR LAUTENBERG: Please provide for the record an explanation of how you decided to buy 32 MRR replacement helicopters.

ANSWER: A thorough review of our short range recovery (SRR) and medium range recovery (MRR) helicopter needs to meet Coast Guard mission requirements was completed to determine the number of MRR helicopters required. The analysis considered past SRR and MRR utilization data, historical Search and Rescue (SAR) case data, SAR readiness criteria, geography, and both SRR and MRR capabilities. The study indicated a total of 32 MRR helicopters were required, a decrease from the 40 HH-3F helicopters they will replace. The addition of the new SRR helicopter to our fleet and a redistribution of our aircraft to optimize utilization have allowed for this savings. The MRR fleet size of 32 does not include the 11-12 additional MRR helicopters that will be required to support Operation Bahamas and Turks and Caicos Islands when the H-3 helicopters currently supporting this mission are removed from service.

SENATOR LAUTENBERG: Please also update for the record the breakdown of your medium range helicopter replacement program appropriations, obligations, and outlays by fiscal year (including planned outyear expenditure) in the same format as found on page 285 of last year's hearing record. Please explain the reasons for any changes in cost of more than 2 percent over the cost estimates submitted last year on pages 644 and 645 of the House Subcommittee hearing record.

ANSWER: An update of the medium range helicopter replacement program appropriations, obligations and outlays is contained in Table A.

SENATOR LAUTENBERG: Please also provide a breakdown of your MRR appropriations, obligations and outlays in a format similar to what appears on page 646 of last year's House Subcommittee hearing record.

ANSWER: The MRR appropriations, obligations and outlays are listed in Table B.

TABLE A

MEDIUM RANGE HELICOPTER
(DOLLARS IN MILLIONS)

	FY86	FY87	FY88	FY89	OUTYEARS	TOTAL
APPROPRIATED	44.1	180.0	0.0	93.3		
OBLIGATIONS						
ACFT 1-2						
CONTRACT	38.6					38.6
SPARES	2.6					(2) 2.6
SUPPORT	2.9					(3) 2.9
ACFT 3-15						
CONTRACT		141.1				141.1
SPARES		17.4	7.8			(2) 25.2
SUPPORT		6.7	7.0			(3) 13.7
ACFT 16-20						
CONTRACT				52.7		52.7
SPARES				31.6		(2) 31.6
SUPPORT				9.0		(3) 9.0
ACFT 21-32						
CONTRACT					(1) 123.0	123.0
SPARES					31.5	(2) 31.5
SUPPORT					24.5	(3) 24.5
TOTAL OBLIGATIONS	44.1	165.2	14.8	93.3	179.0	496.4
OUTLAYS	0.0	4.3	0.7			

(1) Contract costs reflect firm fixed price contract.
(2) Spares cost increase attributed to more definitive estimates of spare requirements.
(3) Support cost increase due to better definition of equipment and testing requirements necessary at field units.

TABLE B

FY	Appropriations	Obligations	Outlays
86	44.1	44.1	0
87	180.0	165.2	4.289
88	0	14.8	.745
89	93.3*	93.3	25.275*
90-94	179.0*	179.0*	466.091*
TOTAL	496.4	496.4	496.400

(*) Estimated

HH-65A HELICOPTER ENGINES

SENATOR LAUTENBERG: You are requesting $8.3 million to make major engine modifications on the new HH-65 short range helicopters. Why isn't the manufacturer (AVCO-Lycoming) paying for these modifications?

ANSWER: No engine warranty was included, implied or otherwise, as part of the aircraft acquisition. We have notified Textron-Lycoming (formerly AVCO-Lycoming) of engine specification non-compliance. We expect they will work towards correcting the problems. In the past, Lycoming paid for replacement of the #4 and #5 bearings to stay in contract compliance. However, without a warranty, Lycoming's assistance may be limited to engineering and developing new components.

SENATOR LAUTENBERG: Please provide for the record a detailed description of the engine problems you are experiencing, and the reasons why they are happening?

ANSWER: The designation of the engine originally installed in the HH-65A is the LTS-101-750-A-1. The inability of the A-1 engine to fly in snow caused significant delays in the program and led to the development of the LTS-101-750-B-2, the current engine on the HH-65A. Eighteen aircraft were delivered in the A-1 configuration. Responsibility for the required engine and associated airframe modifications and associated production delays became the source of a $60.8M claim from Aerospatiale Helicopter Corporation (AHC) against the Coast Guard. The Coast Guard conceded and paid AHC $13.1M in a recent claim settlement. Problems associated with the LTS-101 surfaced shortly after the first implementation. Chip lights, anticipator adjustments and Gas Producer (GP) blade High Cycle Fatigue (HCF) consumed most of the maintenance effort in the early operation of the engine.

A chip detector is a magnetic plug, similar in appearance to a spark plug, which installs in various locations of the engine oil system. The magnetic plug collects metal particles floating in the oil. If enough particles collect, then a chip caution light will illuminate in the cockpit to warn the pilots that they have a potential engine problem. Chip lights plagued the HH-65A during the first eighteen months of operation. Neither the Coast Guard nor Lycoming could determine the source of the metal flakes causing the lights to illuminate until the Coast Guard inspected a Miami engine for a different problem. The investigation revealed minute cracks in the cages of the #4 and #5 bearings. Investigation of other engines revealed similar cracks. We initiated frequent inspections (every 60 hours) to remove faulty bearings and found cracked bearings in as short as 16 operating hours. Confused, Lycoming replaced bearings without solving the problem. The Coast Guard examined a power pinion gear which the bearings ride on and found a much rougher finish than required in the engine specification. Examination of fifteen more power pinion gears resulted in 100% found out of tolerance. Lycoming admitted fault on this problem and replaced, at no cost, every power pinion kit. The labor required to change out the kits remained a Coast Guard task. Replacement of the power pinion kits is on an attrition basis, with approximately 90% completed.

The anticipator acts as an electro-mechanical motor using power turbine rpm (Np) governor inputs to provide rapid response to collective changes and maintain torque balancing. The problem

centered on inadequate knowledge of the anticipator system and the adjustment procedures. Because of improper adjustments an anticipator failure could cause a perfectly operating engine to reduce to zero power output without any chance of recovering power from that engine. After eighteen months of evaluations the Coast Guard introduced a new adjustment procedure which eliminates the possibility of an anticipator failure wiping out complete engine power.

The GP blade suffered from High Cycle Fatigue (HCF) failure. An Airworthiness Directive (AD) issued by the FAA removed all GP wheels from service unless modified with a blade dampening device to eliminate the destructive vibrations. Despite a Lycoming approved replacement interval, the Coast Guard experienced one inflight failure due to GP blade HCF. The faulty GP wheels have been purged from the inventory.

Current problems with the LTS-101 include: "hot section" damage, GP wheel stress rupture, coking and power turbine (PT) wheel cracks.

The cause of the "hot section" damage remains an area of extensive investigation by the Coast Guard and Lycoming. The damage affects the combustor curl, GP nozzle, GP shroud and GP turbine wheel. Coast Guard suspicions center around the fuel manifold and the Measured Gas Temperature (MGT) sensing system. Although the cause of the hot section damage remains undetermined, the Coast Guard has developed several product improvements, with the help of Teledyne Neosho, to increase both the durability of the hot section and the efficiency of the compressor. Zirconium oxide ($ZrO2$), applied to the GP nozzle, combustor liner and combustor curl acts as a thermal barrier coating to prevent heat erosion. Redesign of the GP shroud prevents contact of the shroud and the GP nozzle during heat growth.

The GP turbine wheel blades suffer from two anomalies: stress rupture and blade unwrap. Stress rupture results from overtemp and overspeed conditions. Lycoming initially accused the Coast Guard of overtemping and overspeeding the discrepant blades. The Coast Guard disagreed and confirmed that the blades were not subjected to overtemp or overspeed through investigation done at the Purdue University structures laboratory. As a result of this investigation, the Coast Guard and Professor Radavitch, Purdue University Metallurgy expert, examined the composition of the blade microstructure. The metal exhibited insufficent material properties to withstand the temperature and stress that its design demanded. Associated with the stress rupture problem is the blade unwrap, as Lycoming does,evaluates the microstructure quality of the blade by taking a coupon (slice) of the bulky blade root and examining it. Material properties differ significantly at the thin airfoil versus the bulky blade root in an "as cast, equiaxed" blade. Therefore, using the properties of the root material to calculate stress rupture and unwrap, as Lycoming does, will produce as much as a 50% error. According to another metal expert, Dr. Lund, an independent engineering consultant responsible for the development of several superalloys, stress rupture is the characteristic of C101 material, the material used in our GP blades. A great deal of investigation remains; first to convince Lycoming and secondly to find a better material to make new blades with.

Coking occurs in the Rear Bearing Support Housing (RBSH) as engine oil subjected to very high temperatures forms carbon. This

carbon sticks to everything; clogging filters, restricting oil flow, scoring mating surfaces and breaking down seals. It even collects minute metal particles suspended in the oil and may activate a chip light. Coking remains a critical problem. Approximately 20% of the Coast Guard's engine removals result from coke-related discrepancies. Solutions in place include: changing to Mobile 254, a higher temperature tolerant oil, special cleaning procedures, and evaluation of a three micron filter (very fine filtration) designed to remove suspended carbon. The Coast Guard has requested that Lycoming fund the three micron filter kit to reduce both the problem and the Coast Guard's cost. The answer from Lycoming pends (approximate cost $300K). Lycoming's proposal as the long term fix is redesigning the RBSH to insulate the oil passages and designing a new MGT harness for improved temperature measurement accuracy to prevent overtemperature operations.

The power turbine wheel blades have sustained two individual cracking problems. The first occurs at the blade root trailing edge. The Coast Guard has experienced 37 cracked PT wheels exhibiting these symptoms. Because of very conservative inspection procedures, we have not experienced any catastrophic failures. Lycoming has duplicated the cracking on a test cell engine and is attempting to determine causes and propagation rates. No short term solutions to this problem exist. The long term solution, a redesigned power turbine wheel, has progressed through the initial design phases with production scheduled for summer of 1989. The second problem, leading edge cracks, is caused by a manufacturing process called a halfniums inclusion. The defect causes a stress riser and then blade failure. Very few non-destructive inspection (NDI) methods can detect this defect. Because of its rare occurrence, investigation of this problem pends.

As a result of the plethora of engine problems,(causing four times the anticipated inspections, parts usage, and depot maintenance), program costs have quadrupled. The Coast Guard has pursued solutions to the LTS-101 problems with Textron/Lycoming. In October 1987, the Coast Guard approached Mr. John Myers, President of Textron/Lycoming, to complain about the intolerable situation of poor Lycoming support. Mr. Myers reacted very positively and has endorsed the Coast Guard's request for support. Several very positive meetings have given us cautious optimism that we will see quantifiable actions enabling us to eliminate the problems associated with the LTS 101. Interim solutions taken by the Coast Guard address three issues: availability, reliability and maintainability.

To increase availability we have:

- -placed orders for and received $16M worth of parts.
- -purchased 27 more engines, 15 in September, 1986 and 12 in December, 1987.
- -submitted a competitive solicitation for overhaul and repair of LTS-101 engines and components. A contract has been awarded for engine component repair; however, whole engine repair and overhaul proposal costs were too high and were rejected.

Reliability has improved because of the following USCG initiatives:

- -an operational restriction to the maximum continuous temperature allowed.

-the introduction of the freon air conditioning unit to replace the current Environmental Control Unit (ECU) which uses engine bleed air for cooling.
-initiation of a product improvement program with Teledyne Neosho.

Maintainability has improved through:

-reduction of the average engine repair time by centralizing all engine repair and parts at the Aircraft. Aircraft Repair and Supply Center (AR&SC) in Elizabeth city, N.C.
-redistribution of AR&SC personnel to increase shop output.
-the addition of the LTS-101 engine test cell.

To reinforce our position to support the LTS 101, we have requested an economic lifecycle cost study and re-engine feasibility report. This report is due in June 1988. We feel the results will substantiate our continuing efforts to fix rather than replace the LTS 101.

SENATOR LAUTENBERG: You state that the engine hot section damage "drastically increases the maintenance manhours and parts usage, thus increasing operating and maintenance costs and decreasing aircraft availability". Please provide for the record a breakdown of the unplanned maintenance, engine overhaul, and equipment costs (by fiscal year) that this engine problem has incurred to date along with the future costs if this problem is not corrected.

ANSWER: The budgeted overhaul cost on the LTS 101 engine is $56 per aircraft flight hour (two engines) but is presently costing $212 per flight hour. The reason for the cost increase is that an engine overhaul is required approximately every 400 flight hours vice the originally forecast 2400 flight hours. All planned costs, equipment costs, and unplanned costs for engine maintenance are accounted for in engine overhaul costs. The table below reflects the historical unplanned portion of the engine overhaul costs:

UNPLANNED COST FOR LTS 101 ENGINE	FY
$ 294,528	85
1,963,260	86
3,431,220	87

Unplanned costs will multiply rapidly as the HH-65A fleet is fully implemented, if the engine problems are not corrected. Once the required number of engine overhauls exceed the capacity at Aircraft Repair and Supply Center (AR&SC), commercial contracts will have to be let at approximately 2.5 times the present cost. Several steps were taken in the past to increase the overhaul interval including: replacing the environmental control unit with freon air conditioning, operational restriction to the maximum continuous temperature allowed, and initiation of a product improvement program. Overhaul costs have been kept down by centralizing engine repair at AR&SC, redistribution of shop personnel to increase shop output, and adding the engine test cell at AR&SC. The requested $8.3 million in the FY89 budget for engine

modifications will increase overhaul intervals and limit the rapid rise in unplanned maintenance costs.

SENATOR LAUTENBERG: How confident are you that this problem can be fixed and that the correction will cost a total of $16.6 million or less?

ANSWER: The specific components/problems targeted by the $16.6 million will be fixed. However, new problems are surfacing as the engine matures, and it is impossible to predict if all the problems can be economically fixed. It is also difficult to know whether or not we have identified all the problems or whether additional problems will occur. Any new problems will certainly require additional funding.

SENATOR LAUTENBERG: If these engines were included under the warranty provisions now required by Appropriations Acts, would the Federal Government or the manufacturer be paying this $16.6 million cost?

ANSWER: If the engine problems are the result of the contractor's failure to comply with the Government's specification(s) and/or the result of defects in material and workmanship, the contractor (manufacturer) would pay the $16.6 million, if the engines were included under the warranty provisions now required by Appropriations Acts. However, if the problems being experienced with the engines are the result of faulty Government specifications, the Government would pay the $16.6 million cost.

We have found that warranty claims are very complex issues on an engine maintained by government personnel because the contractor frequently argues that problems are caused by improper maintenance rather than defects in material or design.

SENATOR LAUTENBURG: Do the problems now found with these engines indicate any shortcomings in the operational testing and evaluation of the engine? If not, why?

ANSWER: The acquisition contract for both the HH-65A and HU-25A required FAA certification of the engine. The FAA certification took the place of operational testing and evaluation for durability and reliability and was originally intended to be the only testing done on the engine. Both engines were certified after successfully passing the tests. The Coast Guard decided to perform additional cold weather operation testing and evaluation for engine performance. Testing revealed the engine did not operate to specifications in snow and ice conditions. The FAA has since revoked the certification of the original engine tested on the HH-65A because of the results of the Coast Guard tests.

SENATOR LAUTENBURG: When do you expect to have all engine modifications completed?

ANSWER: All engine modifications will be complete by September 1991.

SENATOR LAUTENBERG: How is your mission performance being affected by this engine problem?

ANSWER: The engine problem has caused spare parts usage far in excess of what was originally planned. This in turn has led to a shortage of spares which has caused our availability and utilization rates to be less than desired. The resultant availability and utilization have hampered our capability to perform Coast Guard missions, although not significantly. The current availability of the HH-65A helicopter has decreased the probability of having one Search and Rescue helicopter ready to respond to a distress case from the desired 98 percent to 89 percent (at a typical Coast Guard air station with three SAR readiness helicopters). In support of all other Programs, the current HH-65A utilization rate will provide 88 percent of the flight hours planned for fiscal year 1988 (based upon first quarter data).

FORWARD LOOKING AIRBORNE RADAR

SENATOR LAUTENBERG: Please update for the record the HC-130 Surface Search Radar (FLAR) Installation schedule that appears on pages 265 and 266 of last years hearing record. Please also explain the reasons for any variances from the schedule provided last year.

ANSWER: A listing of the current FLAR milestones is shown below along with original proposed dates where applicable.

Milestone	Date Originally Proposed	Date Completed	Date Currently Proposed
Contract for Provisions for APS-134	5/84	5/84	N/A
Decision to procure APS-137	N/A	6/85	N/A
Ltr. to Asst. Sec. of Navy	N/A	7/85	N/A
Change MIPR to APS-137	N/A	7/85	N/A
Contract for APS-137 provisions	8/85	9/85	N/A
Contract for CG peculiar data	8/85	9/85	N/A
Navy Statement of Work	9/85	9/85	N/A
Navy Contract w/2 years of options	2/85	12/86	N/A
Award Contract for configuration audit	12/86	1/87	N/A
Complete configuration audit	4/87	6/87	N/A
Exercise second option on Navy contract	10/86	11/87	N/A
Exercise third option on Navy contract	6/88	3/88	N/A
CG Contract for Inst. Kits	1/87		6/88
First radar delivered	2/88		8/88
First installation completed *	5/88		12/88
Final radar delivered *	10/89		10/90
Final Installation complete *	1/90		6/93

* Installation delays are due to kit contracting delays and a slower rate for installation of kits.

SENATOR LAUTENBERG: Please also provide for the record a summary of the terms and conditions of the FLAR maintenance agreement as negotiated by the Navy.

ANSWER: The maintenance agreement is a contract option covered by contract line items (CLIN) 0108, 0208, and 0301 of the Navy AN/APS-137 radar acquisition contract. These options provide for

radar maintenance in accordance with the contract statement of work, through December 1992. In brief, the support agreement provides for 85% radar system availability at each of six sites. The contractor-provided technical representative at each site will perform all organizational level maintenance. All other maintenance will be performed at the contractor's central facility. The first option (CLIN 0108), covering the base order installation radars through mid 1990, has been negotiated at $5,311,755.

SENATOR LAUTENBERG: Please also provide an update of the significant FLAR funding transactions as shown on pages 264 and 265 of last years hearing record. Please also include planned outyear funding estimates.

ANSWER: A listing of the significant FLAR funding transactions is shown below.

Funding Sources:

SOURCE	FY	AMOUNT
CG AC&I	82	$13,100,000
CG AC&I	84	2,000,000
CG/DOD Supplemental	84	6,100,000
Navy APN 7	86	12,459,917
CG/DOD Supplemental (CDA,N)	86	41,425,000
CG/DOD Supplemental (CDA,N)	87	9,100,000
Navy APN 7	87	4,020,000
CG AC&I	88	0
Navy APN 7	88	0
Total to date		$88,204,917
Estimated Outyear Funding Requirements (Includes anticipated DOD funding)		$48,430,000

Commitments/Obligations:

DESCRIPTION	FY	COMMITTED/OBLIGATED
Coast Guard Funds:		
Bendix WX Radars	84	$1,785,854
Provisions for Radar Installation	84	1,872,266
C-130 Configuration Audit	87	199,991
APS-137 Base Order	87	4,781,767
APS-137 FY87 Option	88	4,131,365
Reprogramming		346,728
Travel and Admin		112,000
Coast Guard Sub-total		$13,229,971
Navy Funds:		
CDA,N for APS-137's	87	$18,174,612
CDA,N for APS-137's	88	32,350,388
APN-7 for APS-137's	87	16,479,912
Navy Subtotal		$67,004,912
Total CG and Navy:		$80,234,883

Exercise of the FY89 option will obligate an additional $6M by June 1989 and installation kit award will obligate $11M by May 1988.

TALON PROCUREMENT

SENATOR LAUTENBERG: Last year you stated that a contract for prototype kits may be signed in either July or August 1987. Also, a contract for full production is expected to be signed in October 1988. Was the prototype kit contract signed in July or August 1987? If not, why not?

ANSWER: A contract for prototype kits was not signed. Procurement was originally intended to be sole source. Prior to executing the buy, our second market survey indicated a reasonable expectation of both technical and price competition. A Competitive Bid Strategy was adopted to meet requirements of the Competition in Contracting Act and to explore cost savings.

SENATOR LAUTENBERG: If you were expected to award a full production contract in October 1988, why are no funds requested for this item in the fiscal year 1989 request?

ANSWER: Due to the change in the procurement strategy and the subsequent delays, funds for the full production contract will not be required until a future budget year.

ACTIVE GATED TELEVISION

SENATOR LAUTENBERG: Please update the milestone table shown on pp 267 and 268 of last year's hearing record.

ANSWER: An updated AGTV procurement milestone table follows:

Milestone	Date Originally Proposed	Date Completed	Date Currently Proposed
Complete Operational Rqmts	6/85	11/87	
Industry Comments on Draft SOW	—	3/88	
Commandant AP Update Approval	9/85		6/88
Source Selection Plan Approved	—		6/88
Issue Production RFP	4/86		7/88
Contract Award	9/86		1/89
Begin Testing	4/88		7/90
Initial Operational Capability	6/88		1/91
All Coast Guard Units Delivered	2/89		7/91

UNDERGROUND FUEL STORAGE TANKS

SENATOR LAUTENBERG: You are requesting $4 million to continue a program to remove and replace underground fuel storage tanks that are leaking. Please provide for the record a site-by-site breakdown of the cost of replacing your fuel storage tanks, when you plan to fund each of these projects, and when you expect that new tanks will be installed.

ANSWER:

Support Center Elizabeth City, NC: $2.5 million

These funds will provide the resources to remove and replace seven (7) storage tanks, and clean up contaminated ground water. Tank removal and replacement will be completed by the summer of 1989. The schedule for ground water clean up will be determined after the

storage tanks have been replaced and a cleanup strategy has been designed.

Investigations at sites to be determined: $1.5 million
These funds will provide the resources required to conduct environmental/engineering site evaluations at underground tank sites throughout the Coast Guard.

SENATOR LAUTENBERG: In how many cases have leaking fuel storage tanks contaminated ground water supplies and what actions have the Coast Guard taken to treat the contaminated water?

ANSWER: By "ground water supplies", it is meant "drinking water". Air Station Traverse City, MI. is the only Coast Guard facility where we are aware that fuel stored underground has leaked and contaminated ground water supplies.

In that case, the leaking underground storage system was repaired and a process to clean up the contaminated ground water over a 10 year period was devised. That clean up is currently underway and should conclude in the mid 1990s.

SHORE FACILITIES IMPROVEMENTS

SENATOR LAUTENBERG: Please provide for the record a square footage comparison in the same format as that which appears on page 269 of last year's hearing record for the following AC&I requests: The Savannah, GA Air Station hangar; the Reserve Training Center Yorktown, VA administrative building; the Petaluma, CA medical/dental clinic; the Toledo, OH barracks and dining facility; the Cortez, FL main building replacement; the various Panama City, FL building improvements; and the Kodiak, AK communications facility. Please ensure that adequate explanations are included for any replacement facility that is larger than the original facility.

ANSWER:

SQUARE FOOTAGE (SF) COMPARISON
BETWEEN THE
PRESENT AND REPLACEMENT FACILITIES
AND BUILDING UNIT COSTS

	PRESENT (1000SF)	REPLACEMENT (1000SF)	CHANGE (1000SF)	BLDG COST ($/SF)
Savannah, GA Construct Hangar	11.7	31.7	20.0	$102.5

Comment: Replace three inadequate, semipermanent, corrugated, metal maintenance and nose hangars without water/sewage connections or fire detection/prevention systems. These hangars were built in 1956-58, and can accommodate only one aircraft at a time.

Yorktown, VA Administration Bldg	33.3	18.8	-14.5	$ 96.3

Comment: Consolidate and replace two wood structures built in 1941.

Petaluma, CA Medical/Dental Clinic	5.2	15.7	10.5	$160.9

	PRESENT (1000SF)	REPLACEMENT (1000SF)	CHANGE (1000SF)	BLDG COST ($/SF)

Comment: Renovate 5,160 SF clinic and add a 10,500 SF medical and dental addition to accommodate the increased student loads and existing beneficiary populations. The existing clinic is inadequate as it was designed to care for 5,880 outpatient visits per year (OPV/YR) and has been serving 17,000 to 19,000 OPV/YR during the period FY83-FY86.

Toledo, OH Barracks/Dining Hall	0.6	6.9	6.3	$112.6

Comment: The new building will replace a house trailer and provide a standard facility for personnel at this 25-person multi-mission station where none currently exists.

Cortez, FL Replace Main Bldg	10.6	11.2	0.6	$112.5

Comment: Replace existing 98 year old building which is inadequate and in extremely poor condition for personnel at this 29-person multi-mission station.

Panama City, FL Rebuild Station	4.4	13.4	9.0	$ 86.3

Comment: Replace inadequate/temporary facilities for personnel at this 26-person multi-mission station and tenant units including a Medium Endurance Cutter, a Patrol Boat and an Aids to Navigation Team. Budget sheet contains a typographical error listing building square footage as 11,392 SF vice the correct figure of 13,392 SF.

Kodiak, AK Communications Facility	19.3	19.3	0.0	$160.6

Comment: Restore the Communications Station facilities to pre-fire conditions and install fire protection/suppression system to prevent recurrence of fire loss.

TOTALS	85.1	117.0	31.9	NA

SENATOR LAUTENBERG: You are requesting $4.4 million for 52 units of family housing. According to information provided last year, you had a funding plan for about $16.1 million for "accompanied" housing in FY 1989. Why is your actual request so low?

ANSWER: Higher priority Acquisition, Construction and Improvements (AC&I) projects elsewhere in the Coast Guard preclude full funding of all desired family housing projects. Also, engineering documentation for some projects had not progressed sufficiently to enable full budget year 1989 action.

SENATOR LAUTENBERG: Also, according to information provided last year, the largest number of families that were inadequately housed were in District 3 (420 families); 7 (120 families); 12 (140 families); and 17 (200 families). The three locations for which funds are requested — St. Ignace, MI; Cape Cod, MA; Los Angeles, CA —aren't in those districts. Please explain how these 3 locations were not selected and also explain your plans for

alleviating the family housing shortages in the 4 districts with the greatest shortage.

ANSWER: These locations were selected based on the status of their housing development plans and the limited availability of construction funds. Engineering work was complete and approved for those sites selected; additional design work was needed for those sites not selected. We had only $4.4 million of AC&I funds to work with, severely constraining the number of units that could be built in any one location. Construction is continuing, with prior year funding, in the 1st and 5th Districts (the 3rd District was reorganized into those two districts last year) for 202 units and in the 17th District for 60 units.

SENATOR LAUTENBURG: You are requesting $3.7 Million to restore fire damage at the Kodiak AK communications station. What were the circumstances of this fire?

ANSWER: At approximately 2 AM on September 23, 1985, the power supply in a teletype machine burst into flames. The switch had been turned off, but there was a portion of the power supply that remained energized. The fire quickly spread to the wooden structures in the immediate area, and then to electronic equipment with plastic cases, workbenches, etc. The most serious damage was to the electronic gear, caused by the soot contained in the smoke and high humidity levels which shorted out the equipment. No lives were lost.

ALEUTIAN AIR FACILITY

SENATOR LAUTENBERG: What is the status of the work being done in connection with the proposed Aleutian Air Facility at Cold Bay, Alaska? Please provide a listing of funds obligated to date and funds still being reserved for this project?

ANSWER: In Fiscal Year 1985, $13 million in Acquisition, Construction and Improvements (AC&I) funds were apppropriated for project plannning and facility design. At present, $920,000 has been obligated as follows:

Administrative expenses, travel, etc.	$ 71,000
Conceptual Development Studies	$101,000
Personnel Impact Study	$400,000
Logistics Study	$ 93,000
Site Survey and Investigation	$255,000
	$920,000

On 19 May 1988, notification was sent to Congress seeking concurrence to reprogram $10.1 million from the Cold Bay project to accommodate the FY 1988 AC&I program level of $257.1 million.

110-FOOT ISLAND CLASS PATROL BOAT

SENATOR LAUTENBERG: Last year you testified that the new Island Class Patrol Boats are a good resource for the Coast Guard's drug interdiction mission, but lack sufficient reservations for weight growth to accommodate the weapons and other items needed for military coastal defense mission. Hence, it is essentially a single mission vessel replacing multi-mission vessel.

How will you make up for the defense mission deficiencies of the Island Class boats?

ANSWER: With the present weapon suite, the Island Class can perform only limited defense related missions. However, the patrol boats' main battery, the MK16 20mm Machine Gun, is currently programmed to be upgraded to the MK38 25mm Machine Gun System commencing in FY90. In addition, .50 caliber machine guns will be installed. These upgrades/additions to the weapon suite will enhance the patrol boats coastal defense capabilities. In addition to its Coastal Defense and Maritime Law Enforcement missions, the Island Class Patrol Boat is able to perform effectively in the mission areas of Search and Rescue, Marine Environmental Protection, Port Security and Recreational Boating Safety. In total, the Island Class Patrol Boat is a much more capable multi-mission patrol boat than the 95-foot patrol boat that it is replacing.

SENATOR LAUTENBERG: On page 247 of last year's hearing record, you state that you expect to achieve an availability rate of 55 percent within a year after delivery. However, on page 254 you state that for fiscal year 1988, you are projecting an availability rate of 65 percent. Please explain the reasons for this difference in expected rates.

ANSWER: We anticipate reaching better availability rates on all of our 110 foot patrol boats. However, it is not possible for a newly commissioned cutter to reach an optimum availability rate immediately. Once commissioned, the cutter is retrofitted with equipment and its crew takes time to train and advance on the learning curve with respect to cutter operation and maintenance. The cutter must spend additional time tied up at the pier in order for the contractor to resolve items under the cutter's one-year warranty. As we gain experience operating and maintaining these cutters, we should attain better availability rates.

SENATOR LAUTENBERG: Please update the availability data an page 247, and indicate how long each boat was in service.

ANSWER:

PATROL BOAT AVAILABILITY

NAME	HULL NO.	AVAILABILITY (%)	DELIVERY DATE
FARALLON	1301	46	NOV 1985
MANITOU	1302	45	24 JAN 1986
MATAGORDA	1303	49	28 MAR 1986
MAUI	1304	49	24 MAR 1986
MONHEGAN	1305	43	11 APR 1986
NUNIVAK	1306	49	12 MAY 1986
OCRACOKE	1307	44	23 MAY 1986
VASHON	1308	45	13 JUN 1986
AQUIDNECK	1309	59	25 JUL 1986
MUSTANG	1310	75	30 AUG 1986
NAUSHON	1311	70	03 OCT 1986
SANIBEL	1312	63	14 NOV 1986
EDISTO	1313	77	07 JAN 1987
SAPELO	1314	70	24 FEB 1987
MATINICUS	1315	54	16 APR 1987
NANTUCKET	1316	72	04 JUN 1987
ATTU	1317	—	05 FEB 1988
BARANOF	1318	—	11 MAR 1988
CHANDELEUR	1319	—	15 APR 1988
CHINCOTEAGUE	1320	—	20 MAY 1988

SENATOR LAUTENBERG: The speed capability of about 18 knots is adequate for law enforcement purposes, according to last year's testimony. However, in discussing the requirements of the Heritage Class Boat it was indicated that a 30 knot speed capability was considered necessary for drug interdiction purposes.

This appears to be a contradiction. Please explain the relationship of speed capability of each type of Patrol Boat to the ability to assure that drug interdiction missions will be successfully accomplished.

ANSWER: The following provides more detail on the speed capabilities of our patrol boat fleet:

Cutter Class	Maximum Speed Capability
82-foot Point Class	20 knots
95-foot Cape Class	23 knots
110-foot Island Class	26+ knots
110-foot Sea Bird Class	30+ knots
120-foot Heritage Class	30 knots

The 30 knot speed capability of the Heritage Class patrol boat reduces transit time to the area of operations and provides the ability to pursue faster drug smugglers. A review of the patrol boat speed capability, provided above, shows that newer cutters are designed for the drug enforcement mission (the Island, Sea Bird and Heritage Class patrol boats) and have the high speed capability. The slower cutters (Point and Cape Class patrol boats) were designed in the 1950s and were not originally assigned operating profiles required of today's patrol boats. These cutters are scheduled to be replaced by the Heritage Class patrol boat beginning in FY94 because they have exceeded their service life.

HERITAGE CLASS PATROL BOAT

SENATOR LAUTENBERG: Last year you stated that you expected to complete review of the contract design of the Heritage Class patrol boat, construct an above deck mock-up, and receive industry comments on the design package by July 1988. Is that plan currently on track?

ANSWER: The plan to review the contract design, construct an above deck mock-up and obtain industry comments is proceeding but the schedule is slipping.

SENATOR LAUTENBERG: Will the July 1988 target date be met? If not, why the delay?

ANSWER: No, the July target is slipping. OST authority to proceed with prototype development is still pending.

ALTERATION OF BRIDGES

SENATOR LAUTENBERG: You are requesting $8.5 million for alteration of bridges. What is your present unobligated balance under this appropriation?

ANSWER: As of May 1, 1988, unobligated balance is $6,079,110.

SENATOR LAUTENBERG: Please indicate the project for which the funds were appropriated.

ANSWER: $5,139,110 Newark Bay Bridge/CNJRR; $470,000 Pascagoula River Bridge/L&NRR; $470,000 Mississippi River Bridge/NSRR.

SENATOR LAUTENBERG: In past fiscal years, Congress has provided funding for Willamette River Bridge in Portland, Oregon; the Trent River Bridge in New Bern, North Carolina; and railroad bridges at Hannibal, Missouri and Pascagoula, Mississippi. What is the status of these projects?

ANSWER: Willamette River Bridge - Construction on the Willamette River Bridge is proceeding on the substructure. All subcontracts for structural steel, electrical and mechanical work have been signed. Fabrication of steel is in progress. The estimated time for completing the project is December 1989.

Trent River Bridge - The final engineering design for the alteration of the Trent River Bridge is expected to be completed in July 1988.

Hannibal Railroad Bridge - The Commander, Second Coast Guard District, St. Louis, Missouri, has completed his investigation on the obstructiveness of the Hannibal Railroad Bridge. The final study is now under review by Headquarters staff. When this review is completed, the District Commander will be requested to gather any additional information needed to finalize the study. Following completion of the study, an Order to Alter the bridge will most likely be issued to the bridge owner.

Pascagoula Railroad Bridge - No action is anticipated with respect to the CSX Railroad Bridge in Pascagoula, Mississippi. A preliminary study conducted by the Commander, Eighth Coast Guard District, determined that the bridge does not qualify for alteration under the Truman-Hobbs Act.

SENATOR LAUTENBERG: Do you have any bridges for which notices to alter have been issued, but no funding has been provided?

ANSWER: No.

RETIRED PAY

SENATOR LAUTENBERG: You received an appropriation of $386.7 million for retired pay in fiscal year 1988. Is your current fiscal year obligation rate consistent with this total funding level?

ANSWER: Current obligations are running slightly below projections. However, the actual billing for health care expenditures, which constitute about 10% of the total Retired Pay Appropriation, are unpredictable and routinely received months after the costs are first incurred.

SENATOR LAUTENBERG: What are your actual obligations to date during fiscal year 1988 and what are your estimated monthly obligations for the balance of the year?

ANSWER: Coast Guard Retired Pay Appropriation, fiscal year 1988 obligations:

	Thousands
Actual Obligations to date:	
October	$ 29,741
November	30,521
December	31,370
Subtotal	87,189
Estimated Obligations:	
January	31,665
February	32,318
March	32,508
April	32,726
May	32,913
June	33,060
July	33,190
August	33,249
September	33,349
Subtotal	295,068
Total Estimated Obligations	$ 382,257

SENATOR LAUTENBERG: Your budget includes $6.6 million for a 4.2 percent cost-of-living increase to be effective January 1, 1989. What is the basis for this 4.2 percent increase?

ANSWER: These projections are based on Department of Commerce "Industrial Outlook Projections" and estimated increases in reimbursements to contract clinics sponsored by DOD services, such as PRIMUS clinics.

RESERVE TRAINING

SENATOR LAUTENBERG: You estimate that military personnel benefits will require $2,563,000 in fiscal year 1989. This is a reduction of $1,437,000 from Fiscal Year 1988. However, you plan to expand the Selected Reserve Program in fiscal year 1989. Please explain the basis for the reduction.

ANSWER: Beginning in January 1988, the drill pay earnings of reservists became subject to Social Security (FICA) taxes under a provision of the 1988 Defense Authorization Act. The fiscal year 1988 estimate includes $1.5 million for employer FICA contributions for drill pay earnings paid from the Reserve Training appropriation during the nine months that new provision was in effect during fiscal year 1988. The President's fiscal year 1989 budget requests funding in the Operating Expense appropriation to offset the costs of this new personnel benefit and other increased social security costs for active force personnel. Consequently, the $2.1 million in employer FICA contributions associated with fiscal year 1989 drill pay is not reflected in the Reserve Training military personnel benefits request. If drill pay FICA costs are ignored, military personnel benefits of the Reserve force increase $463,000 in fiscal year 1989, of which increased benefit outlays under the Montgomery Reserve GI Bill account for about $300,000.

SENATOR LAUTENBERG: In past years (FY 86, p. 983, FY 87, p. 848, and FY 88, p.663), it was indicated that you had personnel shortages in certain technical or other specialty areas, such as radarmen, sonar technicians, gunners mates, and fire control

technicians. To what extent do these shortages still exist and are you taking any actions to try to solve them?

ANSWER: The Selected Reserve force still has a difficult time attracting, training, and retaining personnel for certain critical seagoing specialties. Although we have been able to alleviate the previously reported shortfall of sonar technicians, we still have only 60 percent of the radiomen, 51 percent of the gunners mates, 19 percent of the radarmen, and 13 percent of the fire control technicians that need to be immediately added to our ships in wartime. Even though it is a significant problem, the total manpower shortfall in these critical specialties is still less than 750 personnel, with over half being in the radarman specialty.

To remedy this situation, we are seeking to shift our manpower reserve for these high complexity skills from the Selected Reserve to the active force, where there is adequate training time available to fully develop these specialties. Selected Reserve personnel will be prepared to backfill for those active force members reassigned to technical shipboard duties upon mobilization. We are also investigating ways to attract recently released veterans in these critical specialties to special programs for maintaining their proficiency at acceptable levels for 2-4 years without a year-round training commitment. Additionally, many Selected Reserve personnel will continue to fill other shipboard mobilization billets not requiring these particular hi-tech skills.

SENATOR LAUTENBERG: Please provide a breakdown of your $10,247,000 request for operation and maintenance of your training facilities similar to that on page 663 of last year's House subcommittee hearing record and include an explanation of the costs of your Yorktown training center.

ANSWER: Table A details the Reserve Training operation and maintenance costs associated with Coast Guard facilities, and Table B provides an explanation of the Reserve Training costs at Coast Guard Reserve Training Center (RTC), Yorktown, Virginia.

TABLE A. OPERATION AND MAINTENANCE OF TRAINING FACILITIES

Annual training and initial active duty training sites:	
Reserve Training Center, Yorktown	$7,597,000
Training Center, Petaluma	411,000
Training Center, Cape May	636,000
Inactive duty (weekend drill) training sites	1,264,000
Course preparation and evaluation sites	271,000
Supply Center, Brooklyn	68,000
Total	$10,247,000

TABLE B. RESERVE TRAINING COST ELEMENTS AT RTC YORKTOWN

Pay and allowances:	
Military full-time support staff	$4,671,000
Civilian full-time support staff	638,000
Military peak-load (part-time) support staff	100,000
Operating and maintenance costs	2,188,000
Total	$7,597,000

SENATOR LAUTENBERG: Last year it was indicated that your budget assumed 42 drills per year. What are your current assumptions for fiscal years 1988 and 1989?

ANSWER: During fiscal year 1987, our Selected Reserve personnel performed an average of 43.5 drills per member. Due to the reductions in training we have ordered this year to partially accommodate the severe budget cut, we project the fiscal year 1988 average will fall to about 40 drills per member. If the President's budget request is approved, a return to the normal 42-drill average is projected for fiscal year 1989.

SENATOR LAUTENBERG: You estimate that travel costs will increase from $2.6 million in fiscal year 1987 to $4.56 million in fiscal year 1989. What is the reason for this 75 percent increase in just two years?

ANSWER: At the time the detailed budget justifications were prepared, the line item costs reported for fiscal year 1987 were based upon estimates previously reported to the Treasury in funds expenditure reconciliation statements. Those earlier estimates were incomplete. Since then, we have determined the actual fiscal year 1987 Reserve Training appropriation expenditure for travel and transportation of persons was $4,288,000. At the same time, the expenditure estimate for supplies and materials was overstated. It should have been reported as $3,343,000 for fiscal year 1987. Consequently, our personnel related travel costs are estimated to increase only $272,000, or 6.3 percent, between fiscal year 1987 and fiscal year 1989.

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION

SENATOR LAUTENBERG: What are your criteria for initiating a Research and/or Development Project?

ANSWER: The Coast Guard Research and Development (R&D) Program uses the following established criteria for initiating an R&D project;

Value of the contribution of the project to overall Coast Guard objectives, strategy, policies, and values.

Strength of the substantiation/justification of the need for the project.

Relation of the consistency of the project with overall R&D Program goals.

Assessment of the results of a benefit/cost/risk analysis.

SENATOR LAUTENBERG: How are priorities established among the various areas of interest?

ANSWER: Priorities are established through a scoring system that quantifies the criteria used for initiating a Research and Development project.

SENATOR LAUTENBERG: What are your criteria for terminating a project?

ANSWER: The criteria used for terminating a project are the same as for initiating a project, in that, if a review of an ongoing project reveals that it is no longer meeting all of the initial criteria, i.e. requirement lessens, technology changes, costs become excessive; it is reassessed and is either redirected or terminated.

SENATOR LAUTENBERG: How do you evaluate the merits of your Research and Development efforts overall?

ANSWER: The merits of the Coast Guard Research and Development (R&D) Program are evaluated through a quantifiable (where possible)/subjective measure of the benefits of the individual projects versus the overall cost of the program. This evaluation is conducted through meetings of the R&D Project Review Board, discussions with end users of the project outputs, and consultations with the sponsors of projects.

SENATOR LAUTENBERG: You show a 25 percent decrease in research funding for enforcement of laws and treaties. What is the reason for this reduction?

ANSWER: The decrease is due to the end of funding requests for the Shipboard Sensor project which has been redirected. A new project entitled "Enforcement Systems" is just getting started and funding for this project is expected to increase substantially in subsequent years.

SENATOR LAUTENBERG: You are requesting $250,000 to continue your research on Global Positioning System (GPS). Research on GPS has been going on within the Department of Transportation, FAA and/or Coast Guard for at least ten years. What progress are you making with the accuracy and repeatability problems of GPS and when do you expect that you will be able to replace LORAN-C with GPS?

ANSWER: We have developed a proof-of-concept Differential GPS reference station with an accuracy of better than 8 meters in limited field tests using the existing prototype satellite constellation. In November 1988 we plan to test Differential GPS to verify that it will satisfy the requirements set forth in the Federal Radionavigation Plan for all phases of marine navigation.

SENATOR LAUTENBERG: Please elaborate on what you are doing under the heading "New LORAN-C Systems" Research.

ANSWER: New LORAN-C system research and development supports a Congressional request to research improvements in airborne radionavigation system integrity. We will investigate the effects of synchonizing our master and secondary LORAN-C station timing with Universal time to an accuracy of better than 100 nanoseconds. In addition, we will look into improving the interoperability of LORAN-C and the Global Positioning System (GPS) by synchronizing the LORAN-C system time with GPS time to within 30 nanoseconds.

SENATOR LAUTENBERG: You are requesting $500,000 for Commercial Vessel Safety Research to "Conduct Critical Efforts". Please elaborate on this and identify any regulatory actions this Research is designed to support?

ANSWER: The $500,000 for "Commercial Vessel Safety Research - Conduct Critical Efforts" is needed to perform short, medium and long-term Marine Safety research projects identified during the Marine Safety technology needs workshop that will be held in June 1988. The workshop will consider our entire Marine Safety regulatory and inspection information needs and determine the best means for filling those needs.

SENATOR LAUTENBERG: What Fire Protection Regulations have you issued or modified during the past year as a result of this Marine Fire Research and Development?

ANSWER: We used this research to provide direction to the ongoing regulatory efforts of the International Maritime Organization. We successfully proposed changes to international guidelines on surface flammability of marine finishes, on flammability of upholstered furniture, and on devices to prevent passage of flames (flame arrestors). Our proposed pass/fail criteria for surface flammability of finishes were accepted with slight modification. These flammability standards will lead to increased safety of U.S. passengers with no adverse impact on U.S. manufacturers. Our proposed changes to the guidelines on devices to prevent passage of flames (flame arresters) avoided international action which would have placed U.S. industry at an economic disadvantage.

SENATOR LAUTENBERG: What does your research regarding drug detection and screening of personnel involve?

ANSWER: We are in the preliminary stages of project development to formalize much of the ad hoc chemistry support we have provided in the past. One task of the project will examine the state-of-the-art in cocaine and heroin detection technology to determine its applicability to our Drug Interdiction mission. Another task will be to provide expert testimony/consultation on personnel drug screening tests as needed.

SENATOR LAUTENBERG: Last year it was indicated that you were following two parallel development tracks in your Forward Looking Infrared (FLIR) System Program. One of these involved the testing of a commercially available FLIR, which was to have taken place last spring. What were the results of that test?

ANSWER: The test showed the commercially available 8 to 12 micron FLIR system performance was much less than desirable when used in the hot, humid climate of the Caribbean.

SENATOR LAUTENBERG: The other track involved the development of a system to meet all your operation requirements if the off-the-shelf system failed to do so. What is the status of this longer-term effort?

ANSWER: It appears that the problem of degraded performance is with the frequency range and not simply a matter of optics and stabilization as we had initially thought. We have not proceeded on track two yet, but rather are continuing to evaluate 11 elements of the available Forward Looking Infra-red Radars (FLIRs) (e.g., using different frequencies, image enhancements, filtering, etc.) to try to overcome the problem encountered before determining whether to advance to the fully mission capable system development. We also plan to reassess the cost/benefit implications before proceeding.

SENATOR LAUTENBERG: You are requesting $700,000 to initiate a Defense Readiness Research Program. Please briefly describe what your objectives are over the next three to five years in this program and what you expect your annual request will be over that time period?

ANSWER: The objectives of our Defense Readiness Research Program are to develop and implement a comprehensive program of

technical support for program offices that are responsible for naval warfare and Coast Guard statutory missions in peacetime and upon activation of the Maritime Defense Zone (MARDEZ), to define and develop information and technology to counter threats in the coastal area by conducting mine countermeasures, Q-Route surveys, shallow water Anti-Submarine Warfare (ASW) (portable, lightweight, low frequency sonar), port security (portable waterside security system), harbor defense, and counter terrorist activities in port areas, to provide technical assistance to program managers in developing requirements, evaluating proposed options, implementing methods and systems, and evaluating tactics, and to evaluate the performance of current and proposed systems in an operational environment. FY89 is a building year, working toward an annual outyear funding level of about $2,000K through FY92.

SENATOR LAUTENBERG: You are requesting $3.07 million for Command, Control and Communications Research, an increase of more than 100 percent. What is the reason for this large increase?

ANSWER: We have added two new project efforts into this Multi-Mission Program area: (1) Ports and Waterways Management Information Systems (PAWMIS); and (2) Advanced Communications Technology.

SENATOR LAUTENBERG: What new systems do you plan to develop and why?

ANSWER: The new systems being developed under the Command, Control and Communications/Information Resource Management (C3/IRM) project are: (1) a shipboard tactical information system prototype to make our cutter crews aware of their operational environment in a timely manner (coordinate U. S. Navy activities); (2) an information system prototype for "major system acquisition" to better accomplish contract monitoring, project management, logistical support, and senior management reviews; (3) provide prototype information systems to improve data collection for pay/personnel, maintain a more comprehensive data base for enlisted personnel, and keep better track of potential new recruits, all leading to the design of a second generation pay and personnel system. The Ports and Waterways Management Information Systems (PAWMIS) project effort concentrates on developing graphical systems for improved response activities by Coast Guard personnel (Search and Rescue, Environmental Response, Port Security) within ports, harbors, and waterways. In the Advanced Telecommunications project, we have initiated cooperative efforts with NASA and U. S. Customs in satellite systems, Mobile Satellite Communications (SATCOM) and GEOSTAR, respectively to provide greater interoperability within Coast Guard and other agencies during Coast Guard mission performance and to provide Coast Guard with low cost communications link between all units.

SENATOR LAUTENBERG: What is the status of your maintenance information system development for which $1 million was requested for fiscal year 1988?

ANSWER: The $1.0 million for FY88 is being used to develop information systems for personnel management and the "major system acquisition" management. In the personnel efforts, data collection at the lower command levels for use in pay, assignment, recruiting and enlisted qualification code management have been analyzed and designed. In the "major system acquisition" efforts, critical

success factors have been completed, information needs have been analyzed and modeled, and the design/prototype has been initiated for our contract monitoring at Resident Inspection Offices (RIOs)/Aircraft Program Offices (APOs).

SENATOR LAUTENBERG: You are requesting $1.3 million for Advance Marine Vehicles. Which specific vessels or kinds of vessels are you examining under this program?

ANSWER: Specific vessels under examination are patrol boats, buoy tenders, air cushioned vehicles for restricted use, surface effect ships, and Heritage class study vessels (rigid hull inflatable, stern ramp design).

SENATOR LAUTENBERG: Last year you stated that your Small Waterplane Area Twin Hull (SWATH) was the leading candidate for the advanced marine patrol boat replacement. What is your current view of this vessel's potential as a replacement boat?

ANSWER: Although the SWATH has the best overall seakeeping among the various advanced marine patrol boat replacement concepts, the small advantage of the SWATH cost/benefit compared to the Heritage Class does not justify the risk associated with developing the SWATH concept. The capability represented by the SWATH concept can be replaced by Heritage Class cutters. Dropping the Developmental Track will simplify the project and allow some cost avoidance.

SENATOR LAUTENBERG: You are proposing a $1.6 million reduction for personnel and related costs. Does this represent a reduction in the number of RDT&E personnel?

ANSWER: The reduction has taken place. The savings represent a reduction of 59 military and civilian positions in the Research and Development Program at Coast Guard Headquarters.

SENATOR LAUTENBERG: If so, in which areas?

ANSWER: The reductions included managers, technical staff, project officers, and administrative staff.

SENATOR LAUTENBERG: Please list your major in-house Research projects?

ANSWER: The major in-house (hands-on) research projects being conducted in FY88 are:

Studies of suitability of new or existing platforms for performing Coast Guard missions;

Full Scale Test and Evaluations on existing craft;

Subsystem development such as Advanced Propulsors, Ride Control Systems, Crew and vessel armor protection, and hull and scantling stress analysis of selected craft;

Craft Hydrodynamic Characteristic evaluations;

New Buoy System Study;

Combining of Search and Rescue and Enforcement of Laws and Treaties (SAR AND ELT) Logical Models for specific information needs of cutters;

Boat Crew Utilization Study;

Q-Route Survey for the First Coast Guard District;

Coastal Defense Support;

Chemical Protective Suit Materials;

Hazardous Chemical Analysis for Pollution Response and Law Enforcement, including test and evaluation of portable analytical instrumentation and the development and shakedown of a mobile lab;

Marine fire and safety research;

Support for the Marine Vehicle Technology Program, including development of a multi-unit law enforcement model, and Aids to Navigation model, baseline tests on the current buoy tender fleet, and technology surveys, utilization studies and seakeeping assessments in support of the Buoy tender (WLB/WLM) Acquisition;

Automated Aid-to-Navigation Positioning System;

LORAN-C Signal Analysis;

Global Positioning System for Civil Marine Radio Navigation;

Energy Management for Remote Lighthouses;

Electronics Navigational Chart Development;

Aid-to-Navigation Signal Effectiveness;

Improvement of Probability of Detection in Search and Rescue;

Forward Looking Infrared Radar Evaluation in Maritime Environment;

SAR Management Information System for Ninth Coast Guard District;

Automation of Search and Rescue and Enforcement of Laws and Treaties Operational Information Needs;

Voice Broadcast Automation; and

Distribution Information System for the Ninth Coast Guard District

SENATOR LAUTENBERG: Please update the listing of major Research projects being conducted at your Groton facility if they are different from your in-house projects?

ANSWER: Due to our reorganization almost all in-house and contracted research projects are now being performed at our Groton Facility.

SENATOR LAUTENBERG: Please provide the annual operating costs for your Groton facility and your Fire and Safety Test Detachment?

ANSWER:

Coast Guard Research and Development Center (Groton Facility):

Operations (lease, utilities, computer support, etc.)	$1,500,000
Personnel	5,000,000
Total	6,500,000

Fire and Safety Test Detachment:

Operations (lease, utilities, computer support, etc.)	$ 200,000
Personnel	250,000
Total	450,000

OFFSHORE OIL POLLUTION COMPENSATION FUND

SENATOR LAUTENBERG: Last year we transferred $1,723,000 from this program to cover fiscal year 1987 supplemental cost in other programs. What is your current unobligated balance?

ANSWER: As of 12 May 1988 the total balance was $117 million. Of that amount only $2,016,000 still is available for obligation

from previously appropriated amounts. The current appropriation is authorized borrowing authority when funding is not adequate to meet obligations of the fund.

SENATOR LAUTENBERG: Do you believe you have sufficient obligational authority under this program to meet any contingencies in fiscal years 1988 and 1989?

ANSWER: Our current obligational authority is not sufficient to meet a major spill incident. However, our current appropriation authorizes borrowing when appropriations are not adequate to meet obligations of the Fund.

DEEPWATER PORT LIABILITY FUND

SENATOR LAUTENBERG: No funds are requested for the Deepwater Port Liability Fund. Have you obligated any money for oil cleanup cost from this fund?

ANSWER: No, there have been no deepwater port pollution incidents resulting in claims against the fund for cleanup or damage since it was established in 1981. For the relatively few which have occurred, cleanup has been accomplished by the financially responsible party. Cleanup was not called for in some cases.

SENATOR LAUTENBERG: Last year we also transferred $5,145,000 from this program to meet other fiscal year 1987 supplemental appropriation needs. What is your current unobligated balance in this fund?

ANSWER: As of 12 May 1988, the total fund balance was $5.6 million. Of that amount, only $1,460,439 still is available for obligation from prior year appropriations. The current appropriation is authorized borrowing authority when funding is not adequate to meet obligations of the fund.

BOAT SAFETY

SENATOR LAUTENBERG: You are requesting $15,000,000 for your boat safety program. What is the basis for this request?

ANSWER: Our request is basically for us to keep $15 million of the $45 million authorized for the Boating Safety Account, and an additional $15 million making a total of $30 million to offset a greater proportion of the cost the Coast Guard has due to recreational boaters.

SENATOR LAUTENBERG: What impact do you feel the $6.375 million reduction from fiscal year 1988 will have on boat safety?

ANSWER: We are not able to gauge the impact on that. The State expenditure of funds for boating safety have increased over the years. Hopefully the trend will continue so that the level of effort is maintained.

SENATOR LAUTENBERG: For what purposes are the states spending this money? Please expand on your answer for the record and include data on the local match provided for the personnel supported by this program by state.

ANSWER: Funds are used for the cost of personnel, equipment and administration in support of State law enforcement, education, search and rescue, accident investigation, boat numbering and titling activities, and for acquiring, constructing and repairing public access sites. Funds are also used for State facilities to house law enforcement and search and rescue boats and equipment, provide classrooms and education equipment, establish navigation aids, and other program needs. The following table provides Federal/State matching amounts for fiscal year 1987.

RECREATIONAL BOATING SAFETY PROGRAM
FY87 FEDERAL/STATE MATCHING AMOUNTS
FEDERAL ALLOCATION - $28.5M

Alabama:		
Federal -	$ 603,553	- 27%
State -	1,622,686	- 73%
	2,226,239	
Arizona:		
Federal -	344,809	- 26%
State -	987,200	- 74%
	1,332,009	
Arkansas:		
Federal -	393,000	- 50%
State -	393,000	- 50%
	786,000	
California:		
Federal -	1,930,041	- 17%
State -	9,333,959	- 83%
	11,264,000	
Colorado:		
Federal -	275,974	- 50%
State -	275,974	- 50%
	551,948	
Connecticut:		
Federal -	336,426	- 23%
State -	1,114,998	- 77%
	1,451,424	
Delaware:		
Federal -	291,509	- 26%
State -	835,600	- 74%
	1,127,109	
District of Columbia:		
Federal -	254,760	- 17%
State -	1,237,411	- 83%
	1,492,171	
Florida:		
Federal -	1,174,076	- 15%
State -	6,707,583	- 85%
	7,881,659	
Georgia:		
Federal -	632,228	- 29%
State -	1,534,511	- 71%
	2,166,739	
Hawaii:		
Federal -	329,273	- 18%
State -	1,468,461	- 82%
	1,797,734	
Idaho:		
Federal -	288,378	- 49%
State -	295,982	- 51%
	584,360	
Illinois:		
Federal -	549,944	- 49%
State -	569,374	- 51%
	1,119,318	
Indiana:		
Federal	- 484,370	- 28%
State -	1,241,357	- 72%
	1,725,727	
Iowa:		
Federal -	505,178	- 26%
State -	1,426,004	- 74%
	1,931,182	
Kansas:		
Federal -	279,276	- 50%
State -	279,276	- 50%
	558,552	

Kentucky:		
Federal -	433,420	- 26%
State -	1,232,602	- 74%
	1,666,022	
Louisiana:		
Federal -	691,339	- 28%
State -	1,736,349	- 72%
	2,427,688	
Maine:		
Federal -	344,683	- 36%
State -	609,514	- 64%
	954,197	
Maryland:		
Federal -	1,557,758	- 12%
State -	11,938,808	- 88%
	13,496,566	
Massachusetts:		
Federal -	872,737	- 26%
State -	2,454,274	- 74%
	3,327,011	
Michigan:		
Federal -	1,113,456	- 27%
State -	3,045,800	- 73%
	4,159,256	
Minnesota:		
Federal -	1,066,761	- 32%
State -	2,219,180	- 68%
	3,285,941	
Mississippi:		
Federal -	461,922	- 21%
State -	1,756,335	- 79%
	2,218,257	
Missouri:		
Federal -	724,524	- 20%
State -	2,839,338	- 80%
	3,563,862	
Montana:		
Federal -	232,950	- 50%
State -	232,950	- 50%
	465,900	
Nebraska:		
Federal -	69,250	- 50%
State -	69,250	- 50%
	138,500	
Nevada:		
Federal -	248,005	- 34%
State -	485,679	- 66%
	733,684	
New Hampshire:		
Federal -	236,721	- 28%
State -	609,815	- 72%
	846,536	
New Jersey:		
Federal -	756,421	- 16%
State -	3,976,144	- 84%
	4,732,565	
New York:		
Federal -	1,018,957	- 16%
State -	5,360,000	- 84%
	6,378,957	
North Carolina:		
Federal -	498,536	- 30%
State -	1,190,000	- 70%
	1,688,536	
North Dakota:		
Federal -	213,982	- 50%
State -	213,982	- 50%
	427,964	
Ohio:		
Federal -	1,088,427	- 21%
State -	4,163,145	- 79%
	5,251,572	
Oklahoma:		
Federal -	522,990	- 28%
State -	1,378,265	- 72%
	1,901,255	
Oregon:		
Federal -	442,960	- 27%
State -	1,182,552	- 73%
	1,625,512	
Pennsylvania:		
Federal -	680,880	- 21%
State -	2,634,120	- 79%
	3,315,000	
Rhode Island:		
Federal -	212,628	- 50%
State -	212,628	- 50%
	425,256	

South Carolina:		
Federal -	617,271	- 28%
State -	1,626,560	- 72%
	2,243,831	
South Dakota:		
Federal -	48,074	- 50%
State -	48,074	- 50%
	96,148	
Tennessee:		
Federal -	427,926	- 36%
State -	751,979	- 64%
	1,179,905	
Texas:		
Federal -	1,199,149	- 24%
State -	3,900,851	- 76%
	5,100,000	
Utah:		
Federal -	308,774	- 27%
State -	852,172	- 73%
	1,160,946	
Virginia:		
Federal -	427,686	- 36%
State -	747,330	- 64%
	1,175,016	
Washington:		
Federal -	352,707	- 44%
State -	442,204	- 56%
	794,911	
West Virginia:		
Federal -	230,371	- 49%
State -	235,000	- 51%
	465,371	
Wisconsin:		
Federal -	777,400	- 35%
State -	1,468,213	- 65%
	2,245,613	
Wyoming:		
Federal -	90,000	- 50%
State -	90,000	- 50%
	180,000	
Puerto Rico:		
Federal -	225,532	- 25%
State -	682,371	- 75%
	907,903	
American Samoa:		
Federal -	172,893	-100%
* State (Waived) -		
Northern Marianas:		
Federal -	172,727	- 100%
* State (Waived)		
Virgin Islands:		
Federal -	175,432	- 51%
State -	168,820	- 49%
	344,252	

* Matching Requirement Waived, by Title V, PL-95-134

Total Federal:	$ 27,388,044	23%
Total State :	$ 89,877,680	77%
	$117,265,724	

SENATOR LAUTENBERG: Can this program be made more effective, and if so will you make any such recommendations to the Congress in this year's reauthorization legislation?

ANSWER: We are continuing to improve our administrative procedures. We are particularly monitoring broad state uses of the funds to ensure there is no overemphasis or lack of emphasis on particular types of boating safety activities. For example, we have stressed the need for increased state education effort. The Coast Guard's reauthorization legislative proposal includes no changes in the state assistance program other than a reversal of the ratio of Coast Guard and state shares of the Boat Safety Account.

SENATOR LAUTENBERG: You indicate (p. 165) that legislation will be proposed to transfer an additional $15 million from this account to operating expenses. What is the reason for this proposed change?

ANSWER: The proposed change is intended to offset a greater share of the more than $200 million the Coast Guard spends in providing services to recreational boaters, including search and rescue, aids to navigation and Coast Guard Auxiliary, national education, boat standards enforcement and other preventive boating safety services.

SENATOR LAUTENBERG: With the total balance available for appropriation in the Aquatic Resources Trust Fund of $445.9 million, why aren't you proposing that a larger share of the trust fund be used to support Coast Guard operating expenses?

ANSWER: Funds in the Aquatic Resources Trust Fund are allocated to the states and the Coast Guard in the Boat Safety Account, and remaining balances to the Department of Interior. Boat fuel Federal taxes are paid by recreational boaters, sport fishermen, and hunters, among others. The Administration has not requested authorizing legislation to change the mix between the Federal share (Coast Guard, Department of Interior) and the state matching fund share for boating safety versus fishery stocking. The Aquatic Resources Trust Fund reauthorization is presently being reviewed by our Authorization Subcommittee.

SENATOR LAUTENBERG: What happens to this remaining balance in the Aquatic Resources Trust Fund?

ANSWER: During a fiscal year, after funding is appropriated for the Boat Safety Account, the next $1 million goes to the Land and Water Conservation Fund, and the remainder goes to the Sport Fish Restoration Account.

SENATOR LAUTENBERG: You recently published a final rule concerning "operating a vessel while intoxicated" that became effective on January 13, 1988. What has been your experience to date in administering this new rule?

ANSWER: Budget limitations have prevented procurement of equipment or providing training to all Coast Guard boarding officers to enforce the rule. We have reprogrammed funds for a pilot intoxicated boater enforcement program in the Fifth and Eighth Coast Guard Districts which is expected to be implemented by July 4, 1988. Under this program 110 breath testing devices have been purchased, and two will be provided to each station and group and one to each patrol boat in the respective districts. Also, related training will be provided to these units' personnel. Further funding for equipment and training to use it, and behavioral observation training will be considered in future budgets. The Maritime Law Enforcement School at the Coast Guard's Reserve Training Center in Yorktown, Virginia, will incorporate a block of instruction on intoxicated boater enforcement into the curriculum. The Coast Guard has terminated voyages due to apparent intoxication on the basis of observed behavior, and continues to enforce negligent operation of a vessel. Coast Guard policy promotes state enforcement of boating laws. It is unlawful to operate a boat under the influence of alcohol or drugs in every state and U.S. territory and the District of Columbia, and blood alcohol concentration standards have been established in 29 of these entities. The Coast Guard often works with state or local law enforcement agencies to conduct chemical testing and coordinate enforcement procedures.

SENATOR LAUTENBERG: While there are Coast Guard regulations pertaining to the proper installation of steam, foam, and carbon dioxide fixed firefighting systems, there are no Coast Guard regulations for Halon systems. Thus, some Halon systems may have been installed improperly or may not be adequate. What action has the Coast Guard taken to promulgate regulations for fixed Halon fire fighting systems?

ANSWER: The Coast Guard initiated a regulatory project in 1974 to amend Title 46, Code of Federal Regulations, Parts 25 and 162, to revise the standards, tests and procedures for approving optional fixed fire extinguishing systems on uninspected vessels. At the same time, Halon systems were added to the Coast Guard publication, Commandant Instruction M16714.3B - Equipment Lists, as optional systems for compliance with Coast Guard requirements. A notice of proposed rulemaking was published in the Federal Register of April 19, 1982 (47 FR 16648). Development of a final rule has been delayed while actively working with the boating and fire extinguishing equipment industry to develop consensus industry standards in response to concerns raised in comments to the notice. The Coast Guard is currently preparing a supplemental notice to present the issues to the public once again, regarding standards for the construction and installation of Halon fixed fire extinguishing systems as optional systems for compliance with existing requirements. The supplemental notice of proposed rulemaking will also address new comments received requesting that industry specifications be used and incorporated by reference.

SENATOR LAUTENBERG: The Safety Board's investigation of the grounding of the Foreign-Flag Passenger Vessel A. Regina on Mona Island, Puerto Rico revealed many logistic and communications problems between the U.S. Coast Guard and the government of Puerto Rico during the rescue of the large number of passengers, including many U.S. citizens. Has the Coast Guard improved search and rescue services procedures as a result of this incident?

ANSWER: The National Transportation Safety Board recommended that the Coast Guard develop and implement a memorandum of understanding with the government of Puerto Rico concerning responsibilities, communications, and coordination of logistics among the agencies responsible for participating in various search and rescue emergency and nonemergency situations on the Puerto Rican offshore islands.

The Coast Guard concurred with this recommendation. A current Statement of Understanding is in effect between the Commonwealth of Puerto Rico and the United States Coast Guard. The Statement of Understanding is part of our administration and implementation of the Federal Financial Assistance program authorized by Chapter 131 of Title 46 U.S.C. To carry out the intent of Congress, a boating safety cooperative agreement was signed with the Commonwealth of Puerto Rico. The agreement provides for cooperation in search and rescue operations so that the most effective assistance will be rendered to those in distress. We are reviewing the status of our local cooperative practices with Puerto Rico in light of this agreement. If we find the current agreement inadequate, we will consider changes to the current agreement, or an additional Memorandum of Agreement.

SENATOR LAUTENBERG: The Safety Board has investigated a number of accidents involving U.S. Passenger Vessels, and has made over 25 recommendations to the Coast Guard. What has the Coast Guard done to enhance the level of passenger safety aboard U.S. Passenger Vessels in the areas of manning, crew training, lifesaving devices, equipment standards, navigation equipment and vessel stability?

ANSWER: The Coast Guard has several major initiatives in progress to address the safety of passengers aboard U.S. passenger vessels. In the area of manning, the Coast Guard published Interim Final Rules on October 16, 1987 concerning the licensing of maritime personnel and the manning of vessels. This culminated a six year effort which carefully examined the manning requirements of each type of passenger vessel.

With regard to crew training, the engineers' license examination was updated in damage control, engineering casualty control for various powerplants, firefighting and emergency equipment. In addition to the professional requirements for licensed and documented mariners established in the above Interim Final Rules, the Coast Guard has modified its Marine Safety Manual to add additional emphasis to advanced planning for coordination of resources in the event of fire aboard a moored vessel. The Marine Safety Manual has been further revised to contain detailed guidance on the conduct of foreign passenger vessel examinations, including such items as fire protection, detection, and extinction; emergency drills and equipment; crewmember duties; and liaison with local fire departments. As part of the project to incorporate the 1983 SOLAS Amendments into the Code of Federal Regulations, and to make other revisions to the lifesaving regulations, the Coast Guard will propose new onboard training and drill regulations for passenger vessels, including those vessels not on international voyages and those on short international voyages. In addition to weekly abandon ship drills to keep crews proficient in the operation of the equipment, on board training sessions would be required on a two month training cycle that would cover the use of all survival equipment.

Lifesaving devices have been addressed in the regulatory project to revise 46 CFR Subchapter T. The Coast Guard intends to propose making the safety orientation briefing at 46 CFR 185.25-1(d) mandatory instead of optional as it is now. Included in this proposal will be a general list of conditions under which passengers should be requested or required to don life preservers. A regulatory project has also been initiated that will require each passenger vessel to have illustrations and instructions, in appropriate language, posted in passenger cabins, muster stations, and other passenger spaces to inform passengers of their muster station, the essential actions they must take in an emergency, and the method of donning life preservers. Also, as part of the regulatory project to revise 46 CFR Subchapter T, the Coast Guard intends to propose requiring small passenger vessels making offshore voyages to prepare crew and passenger lists to be deposited at a suitable location ashore prior to departure. The Coast Guard is also proposing regulations that would require life rafts for 100% of the persons on board many small passenger vessels not now required to carry primary lifesaving equipment for everyone on board. The requirement under consideration would apply to all vessels in ocean service, and in most other services at times of the year when the prevailing water temperature is 15 degrees C (59 degrees F) or lower.

In the area of equipment standards, as part of the regulatory project to revise 46 CFR Subchapter T, the Coast Guard proposes amending 46 CFR 180.40-1 so that all coastwise vessels will be required to carry an EPIRB even though they may carry a VHF radio. A proposed rule is also being drafted which will propose changes to the existing regulations in 46 CFR 113.50 concerning loudspeaker requirements. This proposal will require all passenger vessels including those with more than one deck, except small passenger vessels regulated under 46 CFR Subchapter T, to have a general alarm system supplemented by a public address system. This will bring Coast Guard requirements into agreement with the latest amendments to SOLAS 74 regarding emergency alarms and public address systems. Public address system requirements are being considered for some small passenger vessels as part of the regulatory project to revise 46 CFR Subchapter T. In the area of firefighting systems, the Coast Guard is taking appropriate steps in seeking an international agreement to require all passenger vessels to have sprinkler systems installed. The subject of adding sprinkler systems to ships already having a high level of structural fire protection has been discussed at IMO with key delegates from other nations. Investigations into numerous vessel casualties involving engineroom fires have illustrated the inadequacy of portable fire extinguishers on small passenger vessels. The Coast Guard is considering expanding the requirements for engineroom fixed fire entinguishing systems on all small passenger vessels as part of the revision of 46 CFR Subchapter T.

Vessel stability has also been addressed in the proposed changes to Subchapter T. As part of this project, the Coast Guard is considering the need for supplementary stability criteria for Subchapter T vessels. The issue of "plain language" stability letters has been addressed by our adoption of a policy to issue stability letters which will include a plain language interpretation of the vessel's subdivision. These stability letters will be issued to those vessels required to submit damage stability calculations since all small passenger vessels are not required to do so. The master of such vessels will thus be provided with information written in clear language that he can understand regarding the extent to which the vessel can safely withstand damage under the assumed loading conditions to which it was designed. A connected approach to this problem was taken in the new regulations governing the Licensing of Maritime Personnel. Under these regulations, the license as inland master will require examination in trim and stability. Inland master of any gross tons replaces the license as master, rivers.

The Coast Guard has carefully reviewed the NTSB's recommendation regarding navigation equipment on passenger vessels. The current regulations adequately provide for all of the navigation equipment required for safe navigation, and the Coast Guard does not believe that additional equipment is necessary.

SENATOR LAUTENBERG: What passenger safety contingency plans are being developed in consideration of the newly developing cruise and commuter service routes?

ANSWER: Each Captain of the Port is required to seek development of a firefighting contingency plan by the local authorities which addresses firefighting in each port in the Captain of the Port zone. Captains of the Port work closely with municipal

fire departments, vessel and facility owners and operators and port authorities in developing these plans since these local authorities are primarily responsible for maintaining necessary firefighting capabilities in U. S. ports and harbors. The Coast Guard renders assistance as available based on our level of training and the adequacy of equipment. We presently have membership on the Flammable and Combustible Liquids Committee of the National Fire Protection Association. This committee is developing standards at the national level which will provide municipal firefighters with the knowledge and skill necessary to fight fires on board vessels.

SENATOR LAUTENGERG: The Safety Board has also recently investigated a number of accidents that involved fires on board foreign passenger ships carrying U.S. passengers. What action has the Coast Guard taken to enhance the safety of U.S. passengers on foreign-flag passenger ships?

ANSWER: The U.S. is a party to Safety of Life at Sea Convention (SOLAS), 1974, its protocol of 1978 and the 1981 and 1983 amendments. The provisions of SOLAS 1974 and Title 46 USC 3303 and 3505 obligate the U.S. Coast Guard to accept the SOLAS certificates and a foreign certificate of inspection issued to the vessel when the vessel is registered to a country which is signatory to the Convention.

However, provisions of SOLAS and U.S. law allow the Coast Guard to verify that SOLAS requirements for the vessel's structure, lifesaving, fire prevention, and fire fighting equipment are met. The Coast Guard administers these inspections through its Control Verification program. This program mandates that all vessels be throughly inspected at their first U. S. port of call in which passengers are embarked and that all foreign flag passenger vessels receive annual inspections with quarterly spot checks.

In the areas of fire protection and stability the Coast Guard has found interpretations of SOLAS requirements by other countries do not always agree with ours. In November 1987 the Coast Guard broadened this inspection program to include a stability review of all new foreign passenger vessels by the Coast Guard's Marine Safety Center for compliance with SOLAS, as interpreted by the U.S.

Recently, a Control Verification inspection on the M/S SOVEREIGN OF THE SEAS revealed significant deficiencies in the area of fire safety. The Coast Guard cited violations, invoked interim measures to protect passengers, and set a deadline for a schedule of changes as permitted by 46 USC 3505. All involved parties have agreed to the modifications and the proposed schedule for completing them.

As a result of the M/S SOVEREIGN OF THE SEAS and deficiencies found on other foreign flag vessels during Control Verification inspections, the U.S. informed the International Maritime Organization's Maritime Safety Committee that the number and extent of foreign flag passenger vessels found to have general arrangements that violate the intent, if not the letter of the SOLAS requirements, was unacceptable. The U.S. requested that the Sub-Committee on Fire Protection specifically address several recurring problem areas in passenger vessel safety.

SENATOR LAUTENBERG: As a result of its investigation of the ramming of the Poplar Street bridge at St. Louis, Missouri in 1983, the Safety Board recommended that the Coast Guard identify critical areas of the Western Rivers which are difficult to navigate and require future applicants for licenses as operators of uninspected

towing vessels to take an examination regarding local knowledge of these areas. What action has the Coast Guard taken in response to this recommendation?

ANSWER: The Coast Guard concurred with this recommendation. The study to identify critical areas of the Western Rivers which are difficult to navigate is still in progress. Analysis of the cause of the accidents will be conducted. When completed, the results of the analysis will be considered for use in developing examination or exercise questions on local knowledge of critical areas of the Western Rivers.

SENATOR LAUTENBERG: As a result of its investigation of the sinking of the tug EAGLE in 1983, the Safety Board recommended that the Coast Guard develop standards for towing systems, including the means for releasing the brake on towing winches remotely from the pilothouse and each steering station. What progress has the Coast Guard made in developing towing system standards?

ANSWER: The American Bureau of Shipping (ABS) developed a proposed rule concerning quick release devices in response to the Safety Board's recommendation M-84-041 with direct input of the Coast Guard and The Towing Safety Advisory Committee (TSAC). As a result of industry objections to the proposed rule, ABS has developed a questionaire to obtain more information on industry practices. The questionaire was only recently formally distributed. The Coast Guard will consult with TSAC and evaluate the need for additional regulations when the new ABS rules are finalized.

SENATOR LAUTENBERG: The Coast Guard has had a regulatory initiative underway for a number of years on the review of Subchapter T regulations applicable to small passenger vessels. There have been a number of accidents/casualties involving these vessels recently. What is the Status of this initiative, and what safety issues are being reviewed?

ANSWER: The review of the regulations in Subchapter T has been completed and a Notice of Proposed Rulemaking to revise the regulations affecting small Passenger vessels has been developed. The Notice of Proposed Rulemaking is presently being cleared within the Coast Guard and should be published late this summer.

As a result of the review and an analysis of small passenger vessel casualties, new requirements will be proposed and many existing regulations revised which will improve safety. New regulations include:

1. inflatable liferafts or inflatable bouyant apparatus for certain vessels, in colder water, which will protect persons from hypothermia;
2. electronic navigation equipment for certain new vessels;
3. public address systems on large vessels;
4. passenger orientation announcements prior to getting underway;
5. fixed fire extinguishing systems on most new vessels and certain existing vessels; and
6. fire detection systems on certain new vessels.

Existing regulations are also being revised which will reduce the burden on the small passenger vessel industry without compromising safety. These include:

1. greater acceptance of industry standards and shoreside building materials; and

2. lengthening of the interval between required drydock examinations of a vessel.

SENATOR LAUTENBERG: The Coast Guard is terminating Vessel Traffic Service System in the most congested waterways in the United States — New York Harbor (and surrounding area) and New Orleans (the lower Mississippi River). Why, when it has recognized that such systems (when fully implemented) greatly increase the safety of the involved waterways?

ANSWER: Although the Coast Guard did not want to close the Vessel Traffic Service (VTS) Systems in these two ports, the fiscal year 1988 budget shortfall necessitated closure of units which maximized cost savings and minimized adverse effect on public safety. Both these VTSs were voluntary, that is, participation was not required by law or regulation. The participation rates for New York (79 percent) and New Orleans (61 percent) were the lowest of all the VTSs. As such, they were less than fully effective. Closure of these two VTSs will have less of an impact than will closure of VTSs in other ports. It will save the Coast Guard an estimated $3.5 million in annual operating costs, and an additional $16 million in cost avoidance for installation of surveillance equipment in New Orleans.

SENATOR LAUTENBERG: Because of cuts in its FY 1988 budget, the Coast Guard announced that it will be cutting back on some of its drug enforcement related activities. What percent of drug procedures result from random boardings?

ANSWER: The Coast Guard does not keep exact statistics on random boardings or even the total boarding effort. A data system has been devised that will track this information and it is targeted to be ready Coast Guard-wide by October 1988.

At present, the majority of seizures result from routine boardings rather than from hard intelligence. Seizure trends indicate that the number of seizures have decreased in direct proportion to operational cutbacks. However, smuggling of illegal drugs is a dynamic process with many other variables.

SENATOR LAUTENBERG: What has been and will be the impact of the cutbacks you have announced in drug enforcement, including random boardings?

ANSWER: The CG cannot maintain drug enforcement efforts nationwide at pre-FY88 budget cut levels. As a general rule our increased presence in the traditional patrol areas has increased boardings and seizures, but we are unable to quantify or estimate how much. We have, for the remainder of FY88, had to cut back on operating hours by approximately 55% to remain within budgeted program hours. This will no doubt decrease boardings and seizures in traditional patrol areas. We will continue to respond to narcotics trafficking intelligence to the best of our ability.

In the Seventh District which includes the waters off Florida, the Bahamas and the Caribbean, our marijuana seizures have dropped approximately 60% during FEB and APR 1988 (since the cutback took effect) compared to the same months in 1987.

	FEB 87	FEB 88	MAR 87	MAR 88	APR 87	APR 88
AMOUNT OF MJ.(LBS)	96,830	77,015	149,679	1,741	81,838	13,535
# OF INCIDENTS	14	10	21	3	16	10
# VESSELS SEIZED	11	07	14	2	13	09

% CHANGE

	FEB-APR 87	FEB-APR 88	PERCENT CHANGE
AMOUNT OF MJ.(LBS)	193,637	77,015	-60%
# OF INCIDENTS	51	23	-55%
# VESSELS SEIZED	38	18	-53%

SENATOR LAUTENBERG: Will the funding requested for fiscal 1989 enable you to return to at least prior year levels?

ANSWER: The President's FY 1989 Budget will allow the Coast Guard to resume operations at FY 1987 levels. It will also provide follow-on funding for resources authorized under the Anti-Drug Abuse Act of 1986.

SENATOR LAUTENBERG: What is the amount of the average seizure resulting from a random boarding?

ANSWER: The Coast Guard does not keep statistics on random boardings; however, the average marijuana seizure from all vessels in FY 1987 was 8,056 lbs. (1,224,514 lbs of marijuana/152 vessels).

SENATOR LAUTENBERG: What is the success rate of such boardings?

ANSWER: The Coast Guard does not keep statistics on random boardings or even the total boarding effort. A data system has been devised that will track this information and it is targeted to be ready Coast Guard wide by October 1988.

SENATOR LAUTENBERG: Last year you indicated that the national Drug Policy Board's Drug Law Enforcement Strategy included "action items to assess progress." What are these action items?

ANSWER: The "action items" were incorporated into the National Maritime Interdiction Strategy Implementation Plan. Many of the action items are sensitive and not directly available to the general public because they contain indicators of planned enforcement strategy and action. A copy of the plan was given to the House Committee on Government Operations by the National Drug Policy Board, during the second quarter of FY 1988.

SENATOR LAUTENBERG: Provide a table comparing the goals, timetables, etc. established in these action items with our actual performance to date.

ANSWER: The goals and timetables are given in the National Maritime Interdiction Strategy Implementation Plan. The National Drug Policy Board is currently reviewing the implementation status of various action items.

SENATOR LAUTENBERG: Provide a table comparing the estimated volume of total illicit drugs entering the U.S. with the amounts interdicted. Include a column on the Coast Guard's interdiction success rate.

ANSWER: The estimated volume of marijuana entering the U.S. through the maritime region is not available. For total Coast Guard involved marijuana seizures, our statistics have continued to drop, decreasing 16% from 1986 and 39% from 1985 for the same time period. Coast Guard involved COCAINE seizures have increased dramatically, 162% since 1986 and 218% since 1985 for the same time period. Greater emphasis on air drops and trafficking of cocaine by aircraft and vessels indicates a shift by smugglers of the drug of choice from marijuana to cocaine. In addition, marijuana is occasionally smuggled from source countries on general aviation aircraft for eventual airdrop. This transport of a relatively bulky cargo in small loads with highly complex smuggling scenarios shows that the traffickers feel at risk using traditional maritime routes.

	FY82	FY83	FY84	FY85	FY86	FY87
COAST GUARD TOTALS:						
Vessels Seized	185	145	223	184	147	136
MJ On Vessels (lbs)	3.53M	2.24M	2.80M	1.86M	1.75M	1.22M
Wholesale Price/LB	$550	$1080	$800	$960	$1200	$1320
Cocaine (lbs)	40	55	1,932	5,890	7,495	12,930
Wholesale Price/lb	$280K	$29K	$31K	$50K	$45K	$45K

SENATOR LAUTENBERG: You indicated last year that you would be utilizing more capable platforms and assets, maximizing your use of DOD assets, and stressing intelligence gathering to improve the effectiveness of your interdiction efforts. Describe in some detail precisely what you have done in each of these areas and show how these actions have improved your interdiction performance

ANSWER: We have continued to replace older facilities with modern, more capable platforms. Our new 270' WMECs are coming online replacing older medium endurance cutters. Our 210 foot medium endurance cutters are coming out of mid life maintenance availabilities with improved capabilities. Our new 110 foot Island Class patrol boats are coming online quickly and we have accepted 77 of our new HH-65A helicopters.

The Department of Defense is continuing to provide outstanding assistance to our interdiction efforts. In FY87, DOD provided 16,288 flight hours for law enforcement support. The Department of Defense is also utilizing Reserves and National Guard to assist. In FY87 they provided 3,121 aerial surveillance flight hours and 9,000 man-days in support of drug "eradication". In FY87 the USN provided 2,512 ship days to support USCG LEDETS during law enforcement patrols. This represented a 100% increase from the previous year. There are over $300M of DOD aircraft and other equipment employed by law enforcement agencies. In FY87 four E-2C Hawkeye aircraft were provided (2 to USCG, 2 to USCS), and four more UH-60 Blackhawk helicopters were provided to USCS (total of twelve now on loan).

Increased information sharing throughout the intelligence community has continued to improve and the cooperation has been forthcoming from all involved agencies.

SENATOR LAUTENBERG: Please update the tables on pp. 208 and 213 of last year's Senate hearing record.

ANSWER: Table A and B contain the requested information.

TABLE A

G-DLE
4/13/1988
SEIZURES THROUGH 3/31/88

U. S. COAST GUARD
GENERAL LAW ENFORCEMENT CONTRABAND SEIZURES BY FISCAL YEAR

		73 - 79	80	81	82	83	84	85	86	87	88	TOTAL
SEIZURES BY COAST GUARD	CASES:	389	93	207	238	210	365	330	265	222	73	2,312
	VSLS:	288	78	184	185	145	224	186	149	152	45	1,636
SEIZURES BY OTHER AGENCIES W/ CG ASSISTANCE	C:	97	19	25	30	28	45	51	42	35	34	406
	V:	90	19	21	25	22	33	39	16	19	22	306
MARIJUANA(LBS) BY COAST GUARD	C:	6,826,306	1,169,730	3,720,977	3,595,351	2,299,825	2,857,512	1,952,876	1,848,678	1,382,311	418,859	25,975,625
	V:	6,638,880	1,046,525	3,637,372	3,534,089	2,239,278	2,795,986	1,861,460	1,748,382	1,224,514	385,906	25,112,392
MARIJUANA(LBS) OTHER AGENCIES W/ CG ASSISTANCE	C:	890,431	315,965	284,046	188,925	181,850	134,635	329,197	233,604	88,553	78,499	2,629,705
	V:	871,306	315,965	231,785	152,825	91,806	127,748	319,682	114,472	85,774	43,789	2,354,344
COCAINE(LBS) BY COAST GUARD		64.82	0.00	0.00	48.18	55.46	1,932.42	5,898.18	7,494.58	12,958.22	9,972.58	38,399.48
COCAINE(LBS) BY OTHER AGENCIES W/ CG ASSISTANCE		4.41	18.81	0.00	224.18	1,858.82	75.00	79.75	1,884.41	9,583.96	8,874.28	21,625.86
HASHISH(LBS) BY COAST GUARD		45,288	2,534	0	34,588	1	29,962	0	2,899	2	0	114,458
HASHISH(LBS) BY OTHER AGENCIES W/ CG ASSISTANCE		7,239	2	167	18	0	0	0	1	0	0	7,427
HASHISH OIL(GAL) CG OR ASSIST		0	5	0	7	0	28	0	35	13	37	125
THAI STICKS(LBS) BY COAST GUARD		27,315	12,623	0	0	0	1	0	0	0	0	39,939
THAI STICKS(LBS) BY OTHER AGENCIES W/ CG ASSISTANCE		5,751	0	0	0	0	16,000	0	0	0	0	21,751
DANGEROUS DRUGS (DOSES) BY CG		500,260	4,700,557	5,961,036	61,628	100	0	1	0	0	15	11,223,597
ARRESTS	TOTAL:	1,891	498	1,010	1,128	799	1,165	829	724	626	275	8,955
	CG:	1,552	319	939	1,048	709	1,072	733	648	568	178	7,766
EST ST VALUE OF CONTRABAND $MILLIONS	TOTAL:	3,455.08	1,060.48	2,662.91	3,760.81	2,187.45	2,986.63	2,839.94	3,039.79	3,097.16	1,591.29	26,680.74
	CG:	3,069.99	845.46	2,477.53	3,542.68	2,040.11	2,757.86	2,477.87	2,691.84	2,530.81	1,081.59	23,514.86

TABLE B

G-OLE
4/13/1988
SEIZURES THROUGH 3/31/88

U. S. COAST GUARD
GENERAL LAW ENFORCEMENT CONTRABAND SEIZURES BY CALENDAR YEAR

		73 - 79	80	81	82	83	84	85	86	87	88	TOTAL
SEIZURES BY COAST GUARD	CASES:	339	149	173	232	262	367	293	267	282	28	2,312
	VSLS:	316	134	146	173	170	218	165	159	119	16	1,616
SEIZURES BY OTHER AGENCIES W/ CG ASSISTANCE	C:	183	20	22	35	27	51	45	42	45	16	486
	V:	96	17	21	30	21	38	28	17	29	9	306
MARIJUANA(LBS) BY COAST GUARD	C:	7,357,624	2,494,774	2,643,043	3,525,775	2,448,940	2,505,357	2,142,133	1,523,070	1,212,963	121,946	25,975,625
	V:	7,090,190	2,451,459	2,558,466	3,460,795	2,374,988	2,445,455	2,042,801	1,451,021	1,118,793	118,416	25,112,392
MARIJUANA(LBS) OTHER AGENCIES W/ CG ASSISTANCE	C:	1,044,952	279,607	183,990	194,074	91,988	265,666	247,577	171,549	108,121	42,181	2,629,705
	V:	1,025,827	227,446	183,890	165,174	81,944	258,021	168,008	120,621	107,692	15,721	2,354,344
COCAINE(LBS) BY COAST GUARD		64.82	0.00	40.00	9.36	46.20	1,966.92	6,546.82	10,333.66	14,767.42	4,625.00	38,399.40
COCAINE(LBS) BY OTHER AGENCIES W/ CG ASSISTANCE		4.41	10.01	96.10	828.01	1,150.01	75.00	847.25	1,391.46	11,287.21	6,816.40	21,625.86
HASHISH(LBS) BY COAST GUARD		47,250	564	34,500	0	29,962	1	2,099	2	0	0	114,458
HASHISH(LBS) BY OTHER AGENCIES W/ CG ASSISTANCE		7,240	168	0	18	0	0	0	1	0	0	7,427
HASHISH OIL(GAL) CG OR ASSIST		0	5	7	0	10	18	1	47	37	0	125
THAI STICKS(LBS) BY COAST GUARD		27,315	12,623	0	0	0	1	0	0	0	0	39,939
THAI STICKS(LBS) BY OTHER AGENCIES W/ CG ASSISTANCE		5,751	0	0	0	0	16,000	0	0	0	0	21,751
DANGEROUS DRUGS (DOSES) BY CG		4,686,260	514,584	5,961,809	61,628	100	0	1	0	0	0	11,223,582
ARRESTS	TOTAL:	2,867	720	883	1,081	895	1,054	794	697	614	122	8,855
	CG:	1,686	649	737	988	835	938	718	627	521	67	7,766
EST ST VALUE OF CONTRABAND $MILLIONS	TOTAL:	3,921.06	1,992.75	1,882.25	4,842.62	2,124.42	2,783.06	3,196.29	2,774.84	3,231.25	732.17	26,680.71
	CG:	3,435.85	1,793.90	1,663.00	3,888.50	2,014.36	2,585.00	2,860.76	2,681.94	2,555.35	395.15	23,514.85

DRUG ENFORCEMENT STRATEGY

SENATOR LAUTENBERG: Dr. MacDonald, the Presidents drug adviser, has said that, if we're going to make any real progress, "We've got to start holding users responsible for the problem." In his judgment, we should arrest and prosecute possessors of even small amounts of controlled substances as a way of discouraging usage and reducing demand. What is your view? Should we start enforcing the law strictly against users as well as dealers?

ANSWER: Yes. Coast Guard field units have already begun aggressive enforcement of this National Drug Policy Board Initiative known as "Zero Tolerance." It is Coast Guard policy that, subject to statutory and jurisdictional limitations, individuals possessing measurable quantities of controlled substances aboard vessels will be subject to the full extent of available criminal and civil sanctions. In cases of sole federal jurisdiction, individuals arrested and vessels seized will be referred to Department of Justice and Customs officials for prosecution and/or forfeiture action. In cases of concurrent federal/state jurisdiction, my Area, District and Operational Commanders may exercise discretion in making cases available to either federal or state officials based on circumstances of the arrest and/or forfeiture action. The Coast Guard is arresting and seizing for any amount of controlled substance under the Zero Tolerance Initiative without regard to having established a border crossing or foreign contact by the suspected vessel or individual.

GENERAL QUESTIONS

BUDGET OVERVIEW

SENATOR LAUTENBERG: You are requesting an overall increase of $465 Million. How much of this increase is for new program initiatives? How much is required to maintain your existing level of services?

ANSWER: In the Operating Expenses (OE) appropriations, an increase of $312 million is requested. Restoration to our base of the $100 million "support-in-kind" received from DOD in FY 1988 makes up almost one-third of the requested "increase." Likewise, another 19% is just to partially restore the FY 1988 reduction. Finally, built-in-changes such as pay raises, cost-of-living increases and other costs of doing business make up another 22%. Only 27% ($84 million) of the requested increase is for anything that could possibly be interpreted as "new."

Fully three-quarters of the $84 million increase requested for program initiatives is funding to operate new equipment that has been acquired as a result of either past capital budgets or the 1987 Anti-Drug Abuse Act. In fact, these requirements are ones that have been planned for a long time.

This leaves only the last $21 million ... and that is badly needed to restore or maintain the Coast Guard's existing programs and facilities. This includes funding for increased ammunition and pyrotechnic consumption due to our greater training and operational requirements associated with our expanding drug interdiction role and military readiness responsibilities. It includes some funding relief for our military health care program where radical inflation rates have been the norm for some years. It provides personnel and funding to continue our multi-year, phased rescue swimmer program as

directed by Congress. It will allow us to start addressing the Coast Guard's own growing environmental compliance responsibilities. And, it requests some funding relief for our shore plant which continues to deteriorate, now at an accelerated pace due to lack of maintenance and rehabilitation which was partially a result of the "slow down/squeeze down" we had to impose on maintenance in two of the last three years.

So, as can be seen, there's really little new ... no real growth nor fat in this budget request. Most of the funding "increase" in our Operating Expenses budget is requested just to stay even and to continue to do the tasks already assigned to us.

The FY 1989 request for Acquisition, Construction and Improvements (AC&I) is driven by large, ongoing, multi-year projects such as mid-life major maintenance and rehabilitation of our 210 and 378-foot cutters. In fact, after consideration of personnel related costs and multi-year needs like housing, fixed requirements consume all but 17% of the Coast Guard's AC&I request. Even that "new" 17% ($59 million) is mostly ear-marked for renovation or replacement projects.

SENATOR LAUTENBERG: What is included for the costs of operating additional vessels and aircraft expected to come on line next fiscal year?

ANSWER: The following is a listing of what is included in the Coast Guard's FY 1989 budget request, in the Operating Expenses (OE) appropriation, to operate additional vessels and aircraft coming on line in FY 1989:

ITEM	$(000)
1. HH-65A Helicopter Follow-on	6,285
2. WHEC-378' FRAM Follow-on	1,200
3. 270' WMEC Maintenance Assist Team/ Pipeline Training	640
4. Operate USCGC LEGARE	1,550
5. Operate USCGC MOHAWK	770
6. 110' Island Class WPB Follow-on	10,762
7. Logistics Support for HU-25/HH-65 Aircraft	436
8. E-2C Aircraft Follow-on	1,361
9. HC-130 Aircraft Follow-on	4,686
10. Expanded OPBAT Operations	14,972
TOTAL	42,662

FACILITIES CLOSURES/SERVICE REDUCTIONS

SENATOR LAUTENBERG: As I understand it, only about $8 million of your 1988 shortfall will be realized by your proposed facility closings. Since these closures are proposed in your fiscal 1989 budget, I take it they are a response to fiscal 1989 as well as fiscal 1988 funding constraints — is that not correct?

ANSWER: The reductions taken in FY 1988 were necessary due to the budget shortfall of $103 million the Coast Guard experienced in FY 1988. This $103 million shortfall is recurring. Of this $103 million FY 1988 problem, only $6-8 million of the $43 million in recurring savings from facility closures/reductions will be realized. The remaining shortfall in FY 1988 will be realized by slowing down operations and squeezing down maintenance. A FY 1988

$60 million reprogramming supplemental to return to normal operations has been requested by the Administration and has been annualized in the President's FY 1989 budget request. We expect to realize the full $43 million in savings from facility closures/reductions in FY 1989. Those $43 million in savings plus the $60 million annualized in the FY89 budget will cover the $103 million recurring shortfall.

SENATOR LAUTENBERG: Would you explain what actions you are taking in each major category of facilities (i.e., support facilities, VTS, marine safety offices, search and rescue stations, and icebreaking) and why you believe these actions will have the least adverse impact on your operations?

ANSWER: There were five criteria used in determining the facility closures/reductions to be carried out in FY 1988. First was to maintain an emphasis on priority missions -- law enforcement, military readiness and search and rescue. Secondly, there was a balance among programs -- no single program was eliminated. Third, a regional balance was maintained to ensure that adjacent units could assume the workload. Fourth, new mission commitments were considered to maintain start-up momentum. Finally, prior year analyses were used. Units that were either closed or reduced have been historically least productive. They have shown up, year after year, when facing budget cuts.

Given those five criteria, those search and rescue stations that were closed were based on workload data, and the ability of adjacent stations to pick-up their area of responsibility. The aging icebreakers USCGCs WESTWIND and NORTHWIND were decommissioned because of their poor material condition. The vessel traffic service closures were based on low user participation. Finally, several Marine Safety Offices and detachments were either closed or reduced with adjacent offices able to pick-up the workload.

SENATOR LAUTENBERG: Please provide a detailed analysis including personnel and cost savings, activity levels, nearest facility to the one being closed, etc.

ANSWER: The objective was to examine and minimize the impact on the service as a whole as well as the local impact of the closures. The process of determining unit cuts in FY 88 was based on five interdependent criteria. They are:

1. Maintain emphasis on priority missions of Law Enforcement-Military Readiness, and Search and Rescue (SAR).
2. Maintain a balance among programs with no single program being eliminated.
3. New mission commitments were considered in an attempt to least affect start-up momentum.
4. Historically least productive units were cut. Units that were earmarked for closure in prior fiscal year budget reduction analyses were primary candidates.
5. High out-year costs, primarily AC&I "drag-along" costs, was a significant contributing factor toward selection for closure/reduction.

The following criteria were used in determining unit cuts for Search and Rescue stations in particular:

1. A systems approach was used to examine the impact on the entire SAR system.

2. The following questions were considered for each unit cut:
   a) What is the operating environment?
   b) What is the need for services?
   c) Has increased technology of the SAR system reduced the requirement for the number of stations in the region?
   d) Can the program standard of 2 hours to arrive on scene of a distress be met without the station?
   e) If the 2 hour standard cannot be met, what is the risk?
3. The following operating environment concerns were considered:
   a) Physical Characteristics
   b) Open Ocean vs. Lakes, Bays, Rivers where searches don't cover Large Areas requiring many search units.
   c) Normal weather conditions
   d) Special Hazards such as breaking bars, currents, freak storms
   e) Some coastlines offer few harbors
   f) Extended transit times for SAR units may be required due to rivers or shoal waters.
4. The actual need for services in the area was examined. Boating trends , historical case severity, seasonality of the historical case load, and the time of day most cases occurred were elements of the decision.
5. Elements considered regarding changing technology were:
   a) Coast Guard has faster boats and aircraft in its inventory now than when many of these stations opened.
   b) Those same boats and aircraft are now more capable on scene with better communication and navigation packages.
6. Alternative sources of assistance were also considered including other active Coast Guard resources, Coast Guard Reserve, Coast Guard Auxiliary, State/Regional/Local rescue organizations.

REDUCTION LIST

DIVING RECOMPRESSION CHAMBERS - DO NOT PURCHASE
ANNUAL SAVINGS - 0 PERS - $354K
RATIONALE FOR SELECTION: Diving with a chamber present decreases the risk involved with deep sea diving operations. However, CG has yet to experience fatal or serious accidents which could have been prevented with a chamber present.

ADP SECURITY - DO NOT UPDATE
ANNUAL SAVINGS - 1 PERS - $544K
RATIONALE FOR SELECTION: Cannot afford to do this with the funding cuts imposed on us (especially considering other cuts - SAR stations, Marine Safety Offices, and other closures CG forced to make).

CG INSTITUTE - CLOSE
ANNUAL SAVINGS - 25 PERS - $920K
RATIONALE FOR SELECTION: This action is part of a long-term study and will result in benefits to the Coast Guard.

CG YARD - CLOSE
ANNUAL SAVINGS - 75 PERS - $2610K
RATIONALE FOR SELECTION: CG Yard is in need of upgrade and modernization. It is not cost effective to continue to operate the Industrial Facility when compared to available commercial sources.

HQ STAFFING - REDUCE
ANNUAL SAVINGS - 100 PERS - $3000K
RATIONALE FOR SELECTION: The realignment of field support functions will allow economies to be derived through reduction of Headquarters Staff. Staff cuts were made at Headquarters to reduce the impact on Headquarters units.

HQ UNIT STAFFING - REDUCE
ANNUAL SAVINGS - 110 PERS - $3290K
RATIONALE FOR SELECTION: Reduction in the number of operating units allows reduction in administrative and logistics support.

THREE REGIONAL BOATING STANDARDS UNITS (RBSU) AT MIAMI, ST. LOUIS AND LONG BEACH - CLOSE
ANNUAL SAVINGS - 25 people - $1058K
RATIONALE FOR SELECTION: Able to accomplish basic program intent with other resources

VTS NEW YORK, NY - DECOMMISSION
ANNUAL SAVINGS - 29 people - $1491K
RATIONALE FOR SELECTION:
VTSs established where passive methods were not adequate ... based on mid-seventies studies.
New regulations (under Ports and Waterways Safety Act 72/78) ensure vessels have proper equipment on board, in proper working order, and the vessel is navigated properly. These regulations also give Captains of the Port (COTPs) broad vessel traffic management authority.
Passive methods ... buoys, rules of the road, bridge to bridge radiotelephone, Regulated Navigation Areas and Traffic Separation Schemes ... remain in place.
System is advisory only. User participation not mandatory.
Compliance achieved through COTP.
Even with VTS closed, COTP will remain and can take actions to insure safe operations in port.
Many marine accidents caused by factors beyond VTS control such as weather, individual judgment, or equipment casualties.

VTS NEW ORLEANS, LA - DECOMMISSION
ANNUAL SAVINGS - 51 people - $2040K
RATIONALE FOR SELECTION:
VTSs established where passive methods were not adequate ... based on mid-seventies studies.
New regulations (under Ports and Waterways Safety Act 72/78) ensure vessels have proper equipment on board, in proper working order, and the vessel is navigated properly. Also these regulations give COTPs broad vessel traffic management authority.
Passive methods ... buoys, rules of the road, bridge to bridge radiotelephone, Regulated Navigation Areas and Traffic Separation Schemes ... remain in place.
System is advisory only. User participation is not mandatory.
Compliance achieved through COTP.
Even with VTS closed, COTP will remain and can take actions to insure safe operations in port.
High capital cost does not justify continued operation. Estimated cost of required surveillance upgrades exceeds $16 million.
Many marine accidents caused by factors beyond VTS control such as weather, individual judgment, or equipment casualties.

VTS VALDEZ, AK - REDUCE
ANNUAL SAVINGS - 7 of 44 at MSO - $210K
RATIONALE FOR SELECTION:
Average 8.7 ship transits daily.
Able to reduce because all vessel transits itineraries are known.
Will provide full manning when required.
Reduction changes manning level to one watchstander with duty officer on call.

CLOSE SELECTED MARINE SAFETY OFFICES
General: All Marine Safety Detachments (MSD) are subunits of Marine Safety Offices (MSO).
Reductions in support take precedence over reduction in operating units.
Field personnel reductions amount to 1% of the total of marine safety personnel stationed in the field.
Closures will not eliminate a service but will increase pollution response times and reduce inspection frequencies in some areas.
Typical MSD duties include:
Response to oil and chemical reports
Inspections of Barge and ship (coastal) safety and pollution prevention equipment
Inspections of oil transfer facilities
Monitoring oil and hazardous material transfers to and from vessels.

RATIONALE FOR CLOSING PORT SAFETY DETACHMENTS (PSD), MARINE INSPECTION DETACHMENTS AND MARINE SAFETY DETACHMENTS (MSD):
Reduce overhead and administrative costs, thereby achieving savings by cutting fewer people overall; workload to be assumed by local Marine Safety Office.

PSD ALBANY, NEW YORK - CLOSE
- ANNUAL SAVINGS - 3 people - $110K
- Workload will be assumed by COTP New York.

MSD MOREHEAD CITY, NC - CLOSE
- ANNUAL SAVINGS - 1 person - $38K
- Workload will be done by MSO Wilmington, NC.

MSD EVANSVILLE, IN - CLOSE
- ANNUAL SAVINGS - 4 people - $137K
- Workload will be assumed by MSO Louisville.

MSD DECATUR, AL - CLOSE
- ANNUAL SAVINGS - 4 people - $137
- Workload will be taken by MSD Nashville and MSO Pudacah.

MSD PEORIA, IL - CLOSE
- ANNUAL SAVINGS - 4 people - $139K
- Work will be done by MSD Davenport and MSO St. Louis.

MSD MARIETTA, OH - CLOSE
- ANNUAL SAVINGS - 4 people - $141K
- Work to be done by MSO Huntington.

MSD ANACORTES, WA - CLOSE
- ANNUAL SAVINGS - 1 person - $32K
- Work will be assumed by MSO Puget Sound.

MSD BROWNSVILLE, TX - CLOSE
- ANNUAL SAVINGS - 11 people - $351K
- Workload will be taken by MSO Corpus Christi

MSD BUCKSPORT, ME - CLOSE
- ANNUAL SAVINGS - 4 people - $146K
- Workload will be assumed by MSO Portland.

MSD CAPE COD, MA - CLOSE
- ANNUAL SAVINGS - 3 people - $115K
- Work transferred to MSO Providence.

PSD NEW LONDON, CT - CLOSE
- ANNUAL SAVINGS - 6 people - $186K
- Workload assumed by Station New London and COTP Long Island Sound in New Haven, CT.

MID NEW LONDON, CT - CLOSE
- ANNUAL SAVINGS - 1 person - $35K
- Workload assumed by MIO New York.

MSD KEY WEST, FL - CLOSE
- ANNUAL SAVINGS - 1 person - $41K
- Workload assumed by MSO Miami.

MSD PORT PONCE, PR - CLOSE
- ANNUAL SAVINGS - 4 people - $145K
- Workload assumed by MSO San Juan.

RATIONALE FOR REDUCING STAFF AT MARINE SAFETY OFFICES (MSO) AND MARINE SAFETY DETACHMENTS (MSD):
Staff numbers were reduced at several Marine Safety Offices in order to improve efficiency and productivity. These units will still be able to provide minimum services required in their areas of responsibility.

MSO PADUCAH, KY - REDUCE STAFF
ANNUAL SAVINGS - 1 of 16 people - $30K

MSO ST. LOUIS, MO - REDUCE STAFF
ANNUAL SAVINGS - 2 of 35 people - $68K

MSO PITTSBURGH, PA - REDUCE STAFF
ANNUAL SAVINGS - 4 of 18 people - $120K

MSO MEMPHIS, TN - REDUCE STAFF
ANNUAL SAVINGS - 2 of 19 people - $60K

MSD GREENVILLE, MS - REDUCE STAFF
ANNUAL SAVINGS - 2 of 5 people - $60K

MSD NASHVILLE, TN - REDUCE STAFF
ANNUAL SAVINGS - 1 of 7 people - $30K

MSD CINCINNATI, OH - REDUCE STAFF
ANNUAL SAVINGS - 1 of 6 people - $30K

ADMINISTRATIVE LAW JUDGE - REDUCE
ANNUAL SAVINGS - 4 people - $200K
RATIONALE FOR SELECTION:
Two in New York, two in San Francisco
Billets are currently vacant.
Historical workload trend is declining.

STATION SHARK RIVER, NJ - CLOSE
ANNUAL SAVINGS - 13 people - $467K
NEAREST UNITS: STA MANASQUAN (8 NM)
STA SANDY HOOK (20 NM)
(CGAS BROOKLYN 20 MINUTES BY AIR)
AVERAGE RESPONSE TIMES
Before Closure = 31 minutes
After Closure = 45 minutes
RATIONALE FOR SELECTION: 80% of FY 1986 cases were of no threat to life or property upon arrival on scene...Station MANASQUAN INLET is very close (8 miles away)...intend to take 9 of 19 personnel assigned and shift them to Station MANASQUAN INLET to compensate for

possible workload increase...estimated average response time after closure well within 2 hour standard.

STATION EASTPORT, ME - CLOSE
ANNUAL SAVINGS - 8 people - $327K
NEAREST UNIT: STA JONESPORT (60 NM)
AVERAGE RESPONSE TIMES
Before Closure = 46 minutes
After Closure = 85 minutes
RATIONALE FOR SELECTION: Need for services low...158th of 163 in workload FY 1986 ...caseload predominately no threat to life or property...began as sub-unit of Jonesport, ME (also low workload unit)... previously recommended for closure by Department of Transportation Inspector General (DOT IG)... average response time standard (2 hrs) can still be met by remaining elements of SAR system after closure (Station Jonesport, WPB's, etc.).

STATION BLOCK ISLAND, RI - CLOSE (MOTHBALL)
ANNUAL SAVINGS - 9 people - $506K
NEAREST UNITS: STA POINT JUDITH (12 NM)
STA MONTAUK (12 NM)
(CGAS CAPE COD 30 minutes away by air)
AVERAGE RESPONSE TIMES
Before Closure = 35 minutes
After Closure = 40 minutes
RATIONALE FOR SELECTION: Two stations only 12 nautical miles (nm) away (Station Point Judith, RI and Station Montauk, NY) can absorb workload.

STATION ASHTABULA, OH - CLOSE
ANNUAL SAVINGS - 16 people - $561K
NEAREST UNITS: STA ERIE (40 NM)
STA FAIRPORT (30 NM)
(CGAS DETROIT (HH-52) 90 MINUTES BY AIR)
(51 minutes when HH-65 implemented
in spring 1989)
AVERAGE RESPONSE TIMES
Before Closure = 54 minutes
After Closure = 75 minutes
RATIONALE FOR SELECTION: 131st of 163 in workload FY 1986...FY 1987 activity "spiked" to 174 cases...but growth exclusively in non-life threatening cases (92% of workload)...only 5 life threatening cases in FY 1987 despite caseload jump...response time post-closure still well within 2 hour standard...Stations adjacent can absorb workload...will adjust boat inventory at Station Erie, PA to compensate.

STATION NORTH SUPERIOR, MI - CLOSE
ANNUAL SAVINGS - 5 out of 5 people - $185K
NEAREST UNIT: STA DULUTH (110 NM)
AVERAGE RESPONSE TIMES
Before Closure = 49 minutes
After Closure = 145 minutes (air)
RATIONALE FOR SELECTION: Lowest caseload of all regular units in entire Coast Guard for FY 1986 (161st of 163 overall - 2 auxiliary stations were lower)...FY 1982-86 average caseload = 9 cases, $15.6K property losses prevented.

STATION BAYFIELD, WI - SEASONALIZE
ANNUAL SAVINGS - 4 of 10 people - $140K
NEAREST UNITS: STA DULUTH (110 NM)
STA PORTAGE (65 NM)
AVERAGE RESPONSE TIMES
Before/After Seasonalization = Not applicable - no statistically significant database for winter caseload
RATIONALE FOR SELECTION: 159th of 163 in station workload in FY 1986...geography suggests seasonalization, vice closure...previously recommended for seasonalization by DOT IG...permanent party personnel will stage from Station Duluth, MN...summer operations unaffected...winter caseload statistically insignificant...no measurable impact on public service.

STATION ALEXANDRIA BAY, NY - SEASONALIZE
ANNUAL SAVINGS: - 10 of 17 people - $365K
NEAREST UNIT: STA OSWEGO (90 NM)
AVERAGE RESPONSE TIMES
Before/After Seasonalization = Not applicable - no statistically significant database for winter caseload
RATIONALE FOR SELECTION: River unit...caseload highly seasonal (summer). 78% of cases were of no threat to life or property...Station OSWEGO, NY will provide winter coverage...but caseload not significant.

STATION FRANKFORT, MI - REDUCE STAFFING
ANNUAL SAVINGS - 9 of 15 people - $270K
NEAREST UNITS: STA MANISTEE (SEASONAL RESERVE)(18 NM)
STA LUDINGTON (43 NM)
STA CHARLEVOIX (95 NM)
(CGAS TRAVERSE CITY (HH-3) 15 MINUTES FLYING TIME)
AVERAGE RESPONSE TIMES
Before/After Reduction = Not applicable - no statistically significant database for winter caseload
RATIONALE FOR SELECTION: 133rd of 163 in workload FY 1986...FY 82-86 average = 82 annually...88% of no threat to life or property...Station will convert to Reserve Augmented... workload seasonal...SUMMER OPERATIONS NOT AFFECTED...winter operations will be conducted on boatcrew recall basis...winter caseload insignificant...of 6 total winter cases over the last three winters, only 2 moderate (a threat to life and/or property existed) and no severe (personnel and/or property were either physically rescued/ recovered from imminent danger, or were actually lost) cases.

COQUILLE RIVER PATROL, OR - DISCONTINUE
ANNUAL SAVINGS - 6 people - $191K
NEAREST UNITS: STA CHETCO RIVER (80 NM)
STA COOS BAY (12 NM)
(CGAS NORTH BEND 10 MINUTES AWAY BY AIR - when H-65 implements summer 1988)
AVERAGE RESPONSE TIMES
Before Closure = 15 minutes
After Closure = 30 minutes (air)
75 minutes (boat)
RATIONALE FOR SELECTION: Unit places in bottom 1% of CG SAR units...FY 1983-87 average annual caseload - 9 cases, none life threatening...previously announced intention to reduce to dispatch patrol on an "as needed" basis, vice continual seasonal operations.

ROGUE RIVER PATROL, OR - DISCONTINUE
ANNUAL SAVINGS - 2 people - $72K
NEAREST UNITS: STA CHETCO RIVER (25 NM)
STA COOS BAY (70 NM)
(CGAS HUMBOLDT BAY 45 MINUTES BY AIR - when HH-65 implemented spring 1988)
(CGAS NORTH BEND (HH-52) 50 MINUTES BY AIR - 30 minutes when HH-65 implemented summer 1988)
AVERAGE RESPONSE TIMES
Before Closure = 15 minutes
After Closure = 45 minutes (air)
120 minutes (boat)
RATIONALE FOR SELECTION: Unit places in bottom 5% of CG SAR units...FY 1983-87 average annual caseload = 26 cases, none life threatening...existing SAR system assets can cover caseload.

STATION LAKE TAHOE, CA - CLOSE
ANNUAL SAVINGS - 9 people - $383K
NEAREST UNITS: N/A - inland lake
AVERAGE RESPONSE TIMES
Before Closure = 27 minutes
After Closure = Not applicable - closed inland lake
RATIONALE FOR SELECTION: Closed lake...other local SAR resources exist...recommended for closure by DOT IG citing presence of non-federal response resources. Possibility exists that the CG Auxiliary will establish an Auxiliary-operated station to operate on weekends only, from Memorial day through Labor day.

STATION KENNEWICK, WA - CLOSE
ANNUAL SAVINGS - 10 people - $455K
NEAREST UNITS: N/A - inland station
AVERAGE RESPONSE TIMES
Before Closure = 37 minutes
After Closure = Not applicable - closed inland waterway
RATIONALE FOR SELECTION: Station well inland (where Snake/Columbia Rivers meet)... originally Aids to Navigation service unit, but presence generated SAR demand..SAR highly seasonal...90% of all cases classified as no threat to life or property. Local SAR resources (sheriff, etc.) exist and can absorb caseload.

KLAMATH RIVER PATROL, CA - DISCONTINUE
ANNUAL SAVINGS - 6 people - $214K
NEAREST UNITS: STA CHETCO RIVER (45 NM)
STA HUMBOLDT BAY (35 NM)
(CGAS HUMBOLDT BAY 17 MINUTES BY AIR - when HH-65 implemented in spring 1988)
AVERAGE RESPONSE TIMES (based on actual historic data)
Before Closure = 20 minutes
After Closure = 17 minutes (air)
180 minutes (boat)
RATIONALE FOR SELECTION: Unit places in bottom 7% of CG SAR units...FY 1987 caseload = 52 cases, none life threatening, $99K property losses prevented...existing SAR system can absorb loss without measurable impact.

STATION KAUAI, HI - CLOSE
ANNUAL SAVINGS - 6 people - $272K
NEAREST UNITS: BASE HONOLULU (110 NM)
(CGAS BARBERS POINT 45 MINUTES BY AIR)

AVERAGE RESPONSE TIMES
Before Closure = caseload insufficient to establish database
After Closure = 45 minutes (air)
RATIONALE FOR SELECTION: 154th of 163 in workload FY 1986...FY 1982 - 86 average caseload = 42 cases, 7 lives saved, $1.5M property losses prevented).

STATION MARE ISLAND, CA - CLOSE
ANNUAL SAVINGS - 20 people - $750K
NEAREST UNITS: BASE SAN FRANCISCO (20 NM)
STA RIO VISTA (35 NM)
(CGAS SAN FRANCISCO 15 MINUTES AWAY BY AIR)
AVERAGE RESPONSE TIMES
Before Closure = 72 minutes - existing database is flawed
After Closure = 15 minutes (air)
50 minutes (boat)
RATIONALE FOR SELECTION: Inland water Area of Operations. Coverage by local SAR resources (sheriff,etc.) exist. 90% of cases classified as no threat to life or property (41% of those are false alarms).
CGC WESTWIND - DECOMMISSION
ANNUAL SAVINGS - 153 people - $7085K
RATIONALE FOR SELECTION: Westwind is now 44 years old and has not been operational since 1984. As one of the two remaining Wind-Class icebreakers, Westwind is obsolete and largely inadequate for many polar missions. Maintenance and reliability are major concerns. We cannot afford to spend more maintenance money on a ship which has well exceeded its economic service life.

CGC NORTHWIND - DECOMMISSION
ANNUAL SAVINGS - 153 people - $7085K
RATIONALE FOR SELECTION: Northwind is now 43 years old and has become increasingly unreliable and expensive to maintain. Northwind is also obsolete and largely inadequate for many polar missions. We cannot afford to spend more maintenance money on a ship which has well exceeded its economic service life.

POLAR ICE OPERATIONS DIV - REDUCE
ANNUAL SAVINGS - 28 PERS - $2062K
RATIONALE FOR SELECTION: The decommissioning of two polar icebreakers - WESTWIND and NORTHWIND - reduces the need for helicopter detachments that normally deploy aboard icebreakers. The central pool of helicopters and aviation personnel will be reduced proportionally.

OPERATING EXPENSES

SENATOR LAUTENBERG: Provide a list of the "selected areas overseas" where the Coast Guard has facilities or assets deployed and explain the purpose or mission of each?

ANSWER: The Coast Guard currently has 296 authorized military positions outside the United States, its territories or possessions. This is down approximately 75 positions from five years ago. By the end of fiscal year 1988, it is projected that Coast Guard will eliminate an additional 13 positions.

The vast majority of these overseas positions are associated with operation, administrative control, or support of the worldwide Loran-C navigation system established to serve the needs of the Department of Defense. Others are assigned to duties involving

merchant vessel inspections, foreign aid missions, liaison offices, or training activities.

Table A contains a current listing of Coast Guard personnel assigned overseas.

TABLE A
COAST GUARD PERSONNEL ASSIGNED OVERSEAS

The following table displays the units, locations, personnel strength and mission of Coast Guardsmen stationed outside the states of the United States, its territories and possessions.

UNIT	LOCATION	PERSONNEL	MISSION
Fleet Training Group	Guantanamo Bay, Cuba	19	Fleet readiness training
Technical Assistance	St. Johns, Antiqua	3	National security assistance
OPBAT	Nassau, Bahamas	5	Drug law enforcement
Liaison	Bahrain	1	Vessel inspection
Liaison, US Embassy	Port au Prince Haiti	1	Haitian Migration Interdiction Operation
Liaison, Military Group	Panama City, Panama	1	National security assistance
Panama Canal Commission	Panama City, Panama	1	Advisor
Liaison US SOUTHCOM	Panama City, Panama	1	National security assistance
Liaison	San Jose, Costa Rica	1	National security assistance
Liaison	Kingston, Jamaica	1	National security assistance
Liaison	Bridgetown, Barbados	1	National security assistance
Activities Europe	London, England	31	Manage 3 Loran-C chains, International Maritime Organization liaison, Vessel inspection.
Loran-C Station	Keflavik, Iceland	2	radio navigation
Loran-C Station	Estartit, Spain	17	radio navigation

Loran-C Station	Lampedusa, Italy	24	radio navigation
Loran-C Station	Sellia Marina, Italy	26	radio navigation
Loran-C Station	Sylt, Germany	12	radio navigation
Loran-C Station	Kargaburun, Turkey	20	radio navigation
Liaison, Logistics	Naples, Italy	3	electronics support
Liaison, USEUROOM	Vaihingen,Germany	1	National security assistance
Liaison	Monrovia, Liberia	1	National security assistance
Liaison	Manila, Philippines	1	National security assistance
Far Eastern Section	Tokyo, Japan	32	Loran-C chain, Vessel inspection
Loran-C Station	Gesashi, Okinawa	17	radio navigation
Loran-C Station	Hokkaido, Japan	20	radio navigation
Loran-C Station	Iwo Jima, Japan	26	radio navigation
Loran-C Station	Barrigada, Guam	4	radio navigation
Loran-C Station	Marcus Island (Minami Tori Shima), Japan	24	radio navigation

SENATOR LAUTENBERG: Provide a year-to-date update comparing your Fiscal 1988 workload estimates to your various activities on pages 12-16 of your justification with your actual experiences so far this year.

ANSWER: There are currently no year-to-date workload figures available. The estimated FY 1988 workload information is the best available data at this time.

SENATOR LAUTENBERG: You propose to derive $30 million from the Boat Safety Account. What is your rationale for reducing state grants and increasing the amount for operating expenses?

ANSWER: Increasing the amount for Coast Guard operating expenses would better fund the more than $200 million the Coast Guard spends on boating safety services to recreational boaters each year.

SENATOR LAUTENBERG: What is the status of the authorizing legislation that would be necessary to make this change?

ANSWER: Authorizing legislation to make this change is included in the administrations proposed bill to authorize appropriations for the Coast Guard for fiscal year 1989.

STAFFING

SENATOR LAUTENBERG: You propose a total of 38,065 military and 5,666 civilian positions along with 38,111 military and 5,524 civilian FTE. What is your current onboard strength?

ANSWER: As of 30 April 1988 the Coast Guard had 38,262 military on active duty and about 5,250 civilians on board.

SENATOR LAUTENBERG: Why do your military FTE's exceed your military positions?

ANSWER: FY 88 end of year authorized military billets is 38,157...FY89 is expected to be 38,065. The 38,111 military FTE for FY 89 is needed to help us manage a gradual change in strength. It will allow our personnel system, under normal circumstances, to meet this year's reduction while preparing for the expected level in FY89. The FY89 military FTE level is significantly less that the FY 88 level of 38,500 FTE.

SENATOR LAUTENBERG: Provide a breakout of the 299 military and 27 civilian reimbursables you project.

ANSWER: Military Reimbursables:

200	Navy deployable law enforcement billets
42	Hazardous materials/pollution response - CERCLA
15	International military/security assistance
10	Government Agency liaison
32	Engineering responsibilities
299	

Civilian reimbursables

5	Hazardous materials/pollution response - CERCLA
5	Medical responsibilities
4	Engineering responsibilities
13	Unprogrammed
27	

SENATOR LAUTENBERG: How do you determine how many people you need? For example, do you have staffing standards? If so, how current and reliable are they?

ANSWER: We have, and apply, staffing standards, which have been developed using accepted data collection and work measurement techniques. Coast Guard staffing standards exist for operational units and support activities...they are periodically updated to reflect our changing work/missions. In the case of a new mission, we identify and measure workload to determine how many people are needed.

ADMINISTRATIVE COSTS

SENATOR LAUTENBERG: Explain the reduction in your reimbursable program from $156.6 million in fiscal 1988 to $54.5 million in fiscal 1989.

ANSWER: The $156.5 million for fiscal 1988 contains Department of Defense reimbursable funds for "in kind services" not included in fiscal 1989.

SENATOR LAUTENBERG: Explain the reductions in offsetting collections from Federal Funds from $153.5 million in fiscal 1988 to $51.5 million in fiscal 1989.

ANSWER: The $153.5 million for fiscal 1988 contains offsetting collections from Department of Defense funds for "in kind services" not included in fiscal 1989.

SENATOR LAUTENBERG: You are requesting an increase of almost $17 million, or 26 percent of the FY 1988 level, for communications, utilities, and miscellaneous charges. The increase over fiscal 1987 is $11 million. What are the specific components of this increase and why are these costs escalating so sharply?

ANSWER: Actually, the increase is not as dramatic as it may seem. In FY 1988, some of the charges for this category will be paid by the Department of Defense by "in kind services". It is anticipated that the Coast Guard will fund these costs in FY 1989. The anticipated increase in this category is about $3 million, or about the predicted inflation rate of 3.6%.

SENATOR LAUTENBERG: Have you taken any measures to control these costs? If so, what are they and why haven't they been more effective? If not, why not?

ANSWER: The Coast Guard has numerous initiatives underway to reduce costs in this area. For example, units are now furnished with periodic telephone user printouts which show all calls made on the Federal Telecommunications System (FTS). With this information, units are encouraged to reduce the length of their individual calls (they can now see how much each call is costing) and insure that only authorized calls are being made from their phones. A survey is ongoing to determine if the Coast Guard is maintaining redundant landlines, and where commercial services may be substituted for Coast Guard owned and maintained landlines, with the target to reduce landline costs. Also, major initiatives are underway to reduce data processing costs. Some costs, such as the recent postal service increases, are beyond our control.

SENATOR LAUTENBERG: You are requesting $381,082,000 for Other Services, an increase of $77.5 million, or almost 23 percent. Provide a breakdown of the components of your request and explain why each is required. Also, explain the reasons for this large increase in view of the constrained budget environment.

ANSWER: The items included in "other services" are determined on a year by year basis. The costs for "other services" including reimbursables in FY 1989 is $400,777,000, compared to the estimate of $343,759,000 in FY 1988. In FY 1988, some of the charges for this category will be paid by the Department of Defense by "in kind services" included under reimbursable obligations. It is anticipated that the Coast Guard will fund these costs by direct

obligation in FY 1989. Maintenance repair contracts reduced during "squeeze down/slow down" will decrease "other services" for FY 1988. Also, as A-76 efforts are successful and more services are contracted out, "other services" will increase. Examples of charges in this category "other services" include: supplies and materials furnished by a contractor in connection with provided services; contractor performed repairs and alterations to buildings, vessels, and equipment; contracted services involving storage and care of vehicles and household goods, including those associated with permanent change of station transfers by military personnel; and subsistence and support of persons providing various contractual services.

ESTIMATED OBLIGATIONS FOR OTHER SERVICES
(Dollars in thousands)

	Fiscal year-	
	1988 estimate	1989 estimate
Other services:		
Overhaul of vessels	$51,908	$60,517
Overhaul of aircraft	69,427	80,943
Repair/maintenance -		
shore facilities	68,493	79,854
electronic equipment	19,745	23,020
aids to navigations	4,781	5,574
training aids	9,295	10,837
Engineering design	18,894	22,028
Routine recreation services	369	431
Automated data processing services	16,329	19,037
Other services	84,518	98,536
Total	343,759	400,777

SENATOR LAUTENBERG: Provide a breakout of your personal services contracts for Fiscal Year 1985 to present, indicating the cost, purpose/work product, recipient (including the name of both the firm and the individual(s) involved), and any prior connection between the Coast Guard or DOT and the recipient.

ANSWER: From Fiscal Year 1985 to present, the Coast Guard has awarded no contracts for personal services within the meaning of the Federal Acquisition Regulation (FAR) 37.104. One possible exception is the area of direct health care as authorized by 10 USC 1091 (Public Law 98-94). The information you requested on these contracts, if any were awarded, has not been kept as a separate record.

SENATOR LAUTENBERG: You are requesting $350,634,000 for supplies and materials, an increase of $107.4 million, or 44 percent. What accounts for this tremendous increase? Have you undertaken any actions to control this cost growth? If not, why not?

ANSWER: Purchases of supplies and materials were reduced in FY 1988 due to budgetary constraints. Supplies and materials related to defense readiness activities are funded by reimbursements from the Department of Defense in FY 1988 and anticipated to be funded by

direct appropriation in FY 1989. Including these reimbursables, costs are approximately 17 percent over the fiscal year 1987 level. One of the major areas the Coast Guard had to achieve savings in FY 1988 was in this area. The "squeeze down/slow down" included deferral of maintenance and deferral of purchase of supplies. The FY 1989 request reflects normal growth plus catch-up items from FY 1988.

SENATOR LAUTENBERG: Provide a breakout of the principal categories of these expenses for Fiscal 1985-Present.

ANSWER: The principal categories of these types of expenses are provided in the following table:

Supplies and Materials
Breakout of Principal Categories
FY1985 - FY1987
($ - millions)

Principal Categories	FY 1985	FY 1986	FY 1987
Aircraft fuel	27	52	45
Housekeeping supplies for shore units	30	41	41
Shore unit engineering maintenance	24	24	28
Engineering maintenance for Aviation	19	14	26
Repair parts for Cutters	18	21	24
Electronic equipment	19	14	12
Other categories including food, utilities, medical and dental, ordnance, aviation supplies and numerous smaller supply and material categories	152	98	118
Total	289	263	294

Note: FY1988 figures were not available for this analysis.

SENATOR LAUTENBERG: You are requesting $65,188,000 for equipment, an increase of $24.8 million or 61 percent. The increase over fiscal 1987 is almost $10 million, or 20 percent. Provide a breakout of the main components of your request. What categories of equipment are involved and why is each necessary in light of the current budget environment?

ANSWER: The equipment category is for repairs and maintenance of equipment of all types (vessels, aircraft, shore facilities). Maintenance of equipment is absolutely necessary in an equipment intensive operations environment. Maintenance and equipment related to defense readiness activities are funded by reimbursements from the Department of Defense in FY 1988 and anticipated to be funded by

direct appropriation in FY 1989. The "squeeze down/slow down" in FY 1988 included deferral of maintenance and deferral of purchase of spare parts. Also, decreased operations results in fewer costs in this area. The FY 1989 request assumes resumption of full operations.

SENATOR LAUTENBERG: Are you taking measures to control this cost growth? If so, what? If not, why not?

ANSWER: The Coast Guard has numerous initiatives underway to reduce costs in this area. We have centrally coordinated vessel maintenance and logistical support through our Area commands, and we centrally control equipment supply or support for our aircraft and cutters. Our Office of Acquisition carefully considers equipment support issues that effect our new resources.

Again, we are anticipating increasing our operations to normal levels and recovering from deferred maintenance and reduced operations associated with the FY 1988 squeezedown-slowdown.

SENATOR LAUTENBERG: You are requesting $3,731,000 for lands and structures, an increase of $1,021,000, or 37 percent. Provide a breakout of the items composing this request and explain why each is necessary given the present budgetary context.

ANSWER: Land and structures includes maintenance and repairs of shore facilities. The FY 1989 request by the Coast Guard includes a major initiative to improve the condition of our shore facilities (line item, 5a, page 56). Additional funding is necessary to increase the maintenance efforts to stem deterioration of existing shore facilities.

SENATOR LAUTENBERG: Provide a table comparing your lands and structure obligations for fiscal years 1985 to present, broken out by each project or class of project, the contractor involved, and indicating any prior connection between the contractor and the Coast Guard or DOT.

ANSWER: The Coast Guard does not have available the data you are requesting.

CONTRACTING OUT

SENATOR LAUTENBERG: OMB Circular A-76 requires Federal agencies to review certain specified activities to determine if they can be more cost effectively performed by commercial sources. OMB has reportedly cut the Coast Guard by 1,246 positions in anticipation of the Coast Guard eliminating these many positions through the A-76 process. Because these cuts anticipate the results of A-76 studies that are presumably not yet completed, the Coast Guard's ability to carry out its responsibilities may be negatively affected. What has been your experience with contracting out pursuant to OMB Circular A-76?

ANSWER: Our experience to date has been that we can do meaningful A-76 reviews which result in saved FTE and costs, but that we cannot do them at a rate that will match OMB cuts. To date, we have completed A-76 reviews of 70 activities staffed by 1661 Full Time Equivalent (FTE) personnel. Forty-three reviews resulted in contracts being awarded, and 27 in continued Government performance. The total savings to the Coast Guard is 954 FTE, a shortfall of 292 FTE from the 1246 OMB cuts to date.

SENATOR LAUTENBERG: How many positions has OMB directed you to cut, even though you have not completed studies to support such cuts?

ANSWER: OMB has directed that the following personnel cuts be taken on the first day of the indicated fiscal year. The savings are those actual cuts accomplished by completing reviews in the previous fiscal year.

FY	CUTS	SAVINGS
1985	582	7
1986	333	101
1987	231	357
1988	100	489
1989	558	...
Total	1804	954

SENATOR LAUTENBERG: Which programs have been negatively impacted by these "anticipatory cuts"?

ANSWER: Both military billets and civilian positions have been taken in the budget. The impact of military billet cuts is a reduction in personnel available to provide on site-reliefs and to fill training vacancies at operational commands. Civilian position reductions have resulted in the assignment of an across-the-board vacancy rate of approximately ten percent. These cuts generally are in support areas which adversely affect all Coast Guard programs.

SENATOR LAUTENBERG: In doing A-76 studies, how do you take into account ship-shore rotations, multi-mission flexibility, training needs, and other factors that may be difficult to quantify?

ANSWER: These factors played a major role in determining the Coast Guard's A-76 inventory in 1984. Only those functions that would not destroy the balance of our personnel system and our multi-mission organization were added to the inventory. As we start each scheduled review, it is again evaluated on a case-by-case basis, in order to preclude degradation of the Coast Guard's ability to carry out its statutory responsibilities. Our Office of Personnel continually tracks certain quantifiable factors for all enlisted ratings, that are predictors of potential problems. We are informed when practical limits for any particular rating are reached, and act accordingly. For example, the number of third class Damage Controlmen is already critically low, and elimination of further billets is being minimized.

PERFORMANCE MEASURES

SENATOR LAUTENBERG: Measuring program effectiveness is an important element to making sound resource allocation decisions. An April 1987 GAO report concluded that the Secretary of Transportation needed to develop operational measures of effectiveness to facilitate better DOT program management. According to March 1988 GAO testimony before the House Subcommittee on Coast Guard and Navigation, two recent Coast Guard studies reached similar conclusions regarding Coast Guard performance measures.

What action is the Coast Guard taking to address the finding of a 1987 GAO report and two internal Coast Guard reports that

better operational measures of effectiveness are needed?

ANSWER: The Coast Guard is undertaking a major revision of its planning system. The revised system places particular emphasis on developing specific measures of efficiency and effectiveness for the major goals of each operating and support program. A new branch has been formed to validate these measures of effectiveness and to utilize them in productivity studies.

SENATOR LAUTENBERG: When will this effort be completed and what are the anticipated results?

ANSWER: This is an iterative process. We expect to make considerable progress by the end of FY 1989. As the new measures of effectiveness are developed and validated, they will form the basis of the Coast Guard's productivity improvement plan.

PROGRAM REDUCTIONS

SENATOR LAUTENBERG: Among the savings you project is a reduction in Headquarters staff. How many positions are you eliminating and what are the total savings?

ANSWER: We are eliminating 49 military billets and 93 civilian positions -- a total of 142. The total savings will be $3.0 million per year.

SENATOR LAUTENBERG: You are proposing to replace the cutters TAMAROA and CHILULA with new 270-foot vessels. The TAMAROA would be retired January 1989 and the CHILULA would be retired in May 1989. Would it be feasible to retire these vessels sooner, and how much could you save by doing so?

ANSWER: The cutters INGHAM and UTE will be decommissioned, vice cutters TAMAROA and CHILULA. Both INGHAM and UTE will be decommissioned by the end of May 1988, which is well in advance of the original dates listed above. This results in a savings of approximately $1.6 million which will help meet part of the FY88 reduction infunds. INGHAM and UTE had severe engineering problems which were keeping them from operating. Therefore, they were scheduled for early decommissionings.

SENATOR LAUTENBERG: You also propose to decommission 10 patrol boats as an equivalent number of 110-foot Island Class boats come on line. Since the new 110-foot boats are more capable, why can't you retire more than the 10 older boats?

ANSWER: The escalation of the law enforcement mission has changed the capabilities required of patrol boats as defined in the Mission Needs Statement (MNS). 82 and 95 footers fall short of these defined requirements primarily in the areas of speed and endurance. The Island Class patrol boats' increased capabilities lie largely in these two areas, making them better law enforcement assets. By replacing these older patrol boats one for one, with more capable Island Class boats, we increase mission effectiveness. Retiring more than the 10 older boats would slow our progress in developing a patrol boat fleet which can match the capabilities required by the MNS.

In addition, if these units are not replaced on a one for one basis, a reduction in search and rescue response capability in the areas affected would occur.

SENATOR LAUTENBERG: What could you save if you retired 20, and how much impact would it really have on your capabilities?

ANSWER: We presently plan to retire fifteen 95-foot patrol boats (ten in FY89 and five in FY90) as new 110-foot Island Class patrol boats are delivered to the Coast Guard.

The premature retirement of five 95-foot patrol boats and the retirement of five other patrol boats without a replacement would have a severe impact on our law enforcement and search and rescue missions. These ten cutters contribute 22,750 combined operating hours to Coast Guard missions. We would recoup 9,000 operating hours when the replacement 110-foot patrol boats are delivered to the Coast Guard in FY90; however, 13,750 operating hours would be lost since no replacement patrol boats are available.

Retirement of 20 patrol boats (sixteen 95-foot patrol boats, three 110-foot surface effect ships and one 82-foot patrol boat) would save us $2.722 million.

BUILT-IN-CHANGES

SENATOR LAUTENBERG: You are requesting $11.9M to annualize the costs of operating 4 cutters: Sturgeon Bay, Thetis, Forward and Legare. Provide a table showing when each of these vessels are scheduled to come into service; the Fiscal 1988 costs estimated for each, including FTE's; and a breakout of their monthly operating costs to date.

ANSWER: See Table A.

CUTTER	FY '88 COSTS	FTE	PERS-QTRS	O&M-QTRS
THETIS	3.043	60	2	2
FORWARD	1.534	40	1	1
LEGARE	1.307	30	1	0
STURGEON BAY	.749	15	3	2

TABLE A

NOTES:

[1]FY '88 Costs in millions.

[2]No breakout given of cutter monthly costs. This is because scheduling peculiarities such as yard periods, major dockside availability, etc., would unduly skew the average costs.

[3]Columns four and five provide additional information concerning the number of quarters during FY '88 that funding is needed.

SENATOR LAUTENBERG: What percentage increase in compensation for military and civilian personnel does your budget assume?

ANSWER: The request includes $14 million for pay raises - nearly the full amount of the proposed January 1, 1989 civilian pay raise and slightly less than half of the full amount for the January 1, 1989 proposed military pay raise.

SENATOR LAUTENBERG: What rate of inflation did you apply to non-personnel compensation costs?

ANSWER: The request includes $31,120,000 or an inflation rate of 3.5%.

SENATOR LAUTENBERG: Why is your payment to DOT's Working Capital Fund increasing by $3,147,000?

ANSWER: The increase from FY 1988 to FY 1989 is due primarily from the following activities included in the fund:

Working Capital Fund
(in thousands of $)

Activity	FY88	FY89	+/-
Rent	$9,402	$10,705	$1,303
Communications	2,215	2,643	428
Transportation Computer Center	8,097	9,507	1,410
	Net Increase		$3,141

SENATOR LAUTENBERG: What was it last year?

ANSWER: The FY87 payment to DOT's Working Capital Fund was $13,754,585. Several items included under the Working Capital Fund for FY88 and 1989 were not part of the Working Capital Fund payment for FY87. These items were:

a. Space Rent $9,078,775
b. Unemployment Compensation ... 600,000
for Civilian Personnel

Thus, the total FY87 payment on comparable accounts was $23,434,360.

SENATOR LAUTENBERG: You are requesting an increase of $17.5 million for Social Security credits for uniformed personnel. These credits are now funded by the Department of Defense (DOD). Why are you now assuming the cost of these credits?

ANSWER: An Office of Management and Budget (OMB) directive issued December 31, 1987 separated from the DOD budget the costs of these credits for all agencies with uniformed personnel (Coast Guard, Public Health Service, and National Oceanic and Atmospheric Administration) not attached to DOD. The directive requested that language in the respective agencies' future appropriation legislation include requests for funds for these credits.

SENATOR LAUTENBERG: Is there a statutory requirement to do so?

ANSWER: No. This is a reallocation of budgeted costs between agencies as a result of the mentioned OMB directive.

SENATOR LAUTENBERG: On what basis did you estimate the cost of Dental CHAMPUS at $3.8 million?

ANSWER: The cost estimate was based on the following assumptions:

(1) 39,160 Active Duty members, of which 27% have no dependents, 21% have one dependent and 52% have more than one dependent.

(2) $5.90 = monthly Coast Guard share for one dependent, and $11.80 = monthly Coast Guard share for more than one dependent.

(3) 100% participation rate.

In 1988 dollars, the resulting calculations are:

0.21 x 39,160 x $ 5.90 x 12 mos	=	$ 582,000
0.52 x 39,160 x $11.80 x 12 mos	=	$2,883,000
Total FY-88 Cost	=	$3,465,000.

Assuming a 10% inflation rate in the national cost of medical services, the corresponding Fiscal Year 1989 cost estimate is $3,811,000.

SENATOR LAUTENBERG: Is that still a valid estimate?

ANSWER: The original estimate did not account for the recent dramatic reduction in active duty strength. The revised assumptions include:

(1) 38,111 Active Duty members.

(2) $150,000 estimated CHAMPUS administrative overhead increase to the dental program.

(3) 90% rate of participation, as experienced by DOD.

In 1988 dollars, the revised calculations are:

0.21 x 38,111 x $ 5.90 x 12 mos x 0.75	=	$ 425,000
0.52 x 38,111 x $11.80 x 12 mos x 0.75	=	$2,105,000
Dental CHAMPUS Administrative Overhead		$ 150,000
Total FY-88 Cost	=	$2,680,000.
10% Medical Services Inflation		$ 268,000
Total FY-89 Cost	=	$2,948,000.

OPERATE NEW FACILITIES

SENATOR LAUTENBERG: You are requesting an increase of $6.3 million for O&M for 96 Short Range Recovery Helicopters. How many of these HH-65As are now operational?

ANSWER: Fifty-nine of the seventy-eight HH-65A helicopters planned for operations are now operational.

SENATOR LAUTENBERG: Provide for the record a delivery schedule for the remaining HH-65As.

ANSWER: Seventy-seven HH-65A helicopters have been delivered and accepted to date. The remaining 19 of the total 96 helicopter buy are scheduled at a delivery rate of 3 aircraft per month.

SENATOR LAUTENBERG: You are proposing to increase funded flight hours for the HH-65As to 615/aircraft. What is the current annual flight hour figure?

ANSWER: The programmed flight hour figure for the Short Range Recovery HH-65A helicopter is 800 hours per year. However, because of insufficient O&M funding, the HH-65A is funded to fly 570 hours per aircraft during fiscal year 1988.

SENATOR LAUTENBERG: What exactly are the components of the increased operation costs of these more capable helicopters? Is it fuel? More frequent maintenance?

ANSWER: The components of the increased operating cost of the HH-65A helicopter are directly related to its increased performance and capability. This new, twin engine, radar equipped helicopter comes with increased operating and maintenance costs. This increase

is attributable to a higher fuel consumption rate (twin engine) and more expensive replacement parts (primarily sophisticated avionics).

SENATOR LAUTENBERG: What is the current availability rate for the HH-65A and how does this compare with your availability objectives?

ANSWER: Our objective is to maintain 71 percent availability per aircraft. Current HH-65A availability (based on first quarter fiscal year 1988 statistics) is 52 percent. Although less than desired, this availability is consistent with the fact that the HH-65A helicopter system is still maturing and the Coast Guard continues to experience very low reliability with the Textron-Lycoming LTS 101-750 engine. If corrective measures are implemented as planned, HH-65A availability will continue to gradually increase.

SENATOR LAUTENBERG: Provide a breakout of the improvements of the O&M increase you are requesting for the 110-foot Island Class Patrol Boats.

ANSWER: In FY 1986, the Navy provided funding for 16 additional Island Class Patrol Boats for the Coast Guard. The Operations & Maintenance increase we are requesting is for funding the personnel, operations, and maintenance costs required to run the ten new patrol boats delivered in FY 1989. These new WPBs have greater speed and endurance and are more suited to our present mission needs.

SENATOR LAUTENBERG: Explain why you need an increase of $1.6 million in O&M funding for the LEGARE in addition to the $2.4 million you are requesting for annualization of Fiscal 1988 costs. Aren't the costs being annualized for O&M? If not, what do they include?

ANSWER: The additional $1.6 million in O&M funding is a separate, one time cost which is needed for training and crew assembly for LEGARE. The reason this funding is in Fiscal 1988 is because funding for crewing is required at least 6 months prior to the delivery of the cutter. This is in keeping with past policies for this cutter class.

SENATOR LAUTENBERG: Why are you requesting an increase of $4 million for automated lighthouses?

ANSWER: Our request for automated lighthouse follow-on funds is for $4 thousand and not for $4 million.

SENATOR LAUTENBERG: Aren't automated lighthouses less expensive to operate?

ANSWER: Yes they are. The personnel expenses are saved through automation.

SENATOR LAUTENBERG: If not, why not? And why did you automate?

ANSWER: We automated to save money and eliminate many isolated and arduous duty stations for our personnel. We have cumulatively saved approximately $50 million from elimination of 297 positions and other costs since automation began in 1968.

SENATOR LAUTENBURG: You are requesting $436,000 and 15 additional personnel to provide increased logistic support for your HU-25A's and HH-65A's. You indicate this is necessary because the aircraft "require significantly more commercial and in-house support..." and because they are not in the DOD inventory, "DOD support services are not available." What accounts for these higher costs?

ANSWER: Without DOD support, nearly all parts for an aircraft must be procured from commercial sources, then stocked, managed, and controlled. Acquiring commercial parts is very time consuming when compared to simply ordering parts from DOD. Additionally, more types of parts and higher quantities of each part must be stocked since we cannot rely on a buffer stock of parts available from DOD. This requires more people and time to complete provision modeling, planning, and analysis of reliability trends to properly manage and control parts.

SENATOR LAUTENBURG: Did you anticipate these higher costs?

ANSWER: We did anticipate an increased need and started requesting additional contracting and inventory management support in 1980. Our requests increased steadily over the years as we became aware of new conditions requiring additional support.

SENATOR LAUTENBURG: If not, why not?

ANSWER: Unanticipated changes to the Federal Acquisition Regulations combined with the shift to supporting commercial aircraft has increased the time and number of people required to execute a contract. Moreover, the number of aircraft, demand for flight time, and parts usage has steadily increased over the past years requiring more logistics support.

SENATOR LAUTENBURG: Why didn't you predicate this procurement on the availability of DOD support?

ANSWER: The original procurement attempt for a replacement Medium Range Search (MRS) aircraft was a Military Interdepartmental Procurement Request (MIPR) which would have provided DOD support. The MIPR was rejected by Congress because of the non-competitive nature of the procurement. The procurement strategy was changed to full and open competition. The same strategy was used for the Short Range Recovery (SRR) aircraft because of continued Congressional interest in full and open competition.

SENATOR LAUTENBERG: Provide a breakout of the $4.056 million increase requested for air interdiction activities by each element, e.g. E-2C operations, air intercept radars for HU-25A's, etc.

ANSWER: The breakout of the $4.056 million is as follows:

$1,361,000- Additional funds to operate and maintain two Cosat Guard E-2C airborne early warning aircraft at 1000 hrs per aircraft per year.

$1,161,000- Additional funds to operate and maintain the Coast Guard's portion of the two C3I Centers.

$1,534,000- Funds to operate and maintain the new air interdiction sensor systems (air intercept radar and FLIR) being added to 8 existing HU-25A aircraft already programmed to fly 800 hrs. per year per aircraft.

SENATOR LAUTENBERG: You are requesting $14.972 million to assume the costs of expanded OPBAT operations. Why can't DOD continue to provide this support?

ANSWER: The Anti-Drug Abuse Act of 1986 established the U.S./Bahamas Drug Interdiction Task Force. The Coast Guard/Customs agreement of 11 FEB 87 transferred the helicopter operational responsibility for OPBAT support to the Coast Guard. The special capabilities of Coast Guard resources were recognized as valuable assets for the mission and are part of the national strategy. Long-term DOD involvement is incompatible with the defense mission and detracts from DOD readiness.

SENATOR LAUTENBERG: How many helicopters are you planning to devote to OPBAT?

ANSWER: Current plans are to provide 11-12 helicopters for the OPBAT mission. Of this number, 6 helicopters (2 at each site) will be deployed to the Bahamas and Turks and Caicos Islands.

SENATOR LAUTENBERG: Why do we need three sites?

ANSWER: We will provide resources for three sites and DEA intends to remain on Grand Bahama Island to provide a response capability in the far northern region. Three Coast Guard sites provide resources to respond in the southern and central Bahamas and Turks and Caicos Islands. Response time is critical in the apprehension phase of the drug interdiction mission. The time required to fly from Nassau to George Town is 1.1 hours (125 miles) and from Nassau to Providenciales is 2.8 hours (340 miles); therefore, for our resources to be effective, they must be in three locations and able to respond to targets in their area of responsibility.

SENATOR LAUTENBURG: Provide a summary, with quantitative indices, of the accomplishments achieved to date and predicted for OPBAT operations.

ANSWER: Table A contains a summary of flight hours and seizures in country, by month, for fiscal year 1988 through 30 April.

TABLE A

		SEIZURES			
MONTH	FLIGHT HOURS	COCAINE	MARIJUANA	AIRCRAFT	ARRESTS
OCT	77.7	1125 lbs		1	2
NOV	94.0	1200 lbs		1	3
DEC	105.5	1200 lbs		1	7
JAN	125.9	616 lbs			
FEB	142.9	550 lbs			3
MAR	128.9	3968 lbs	1720 lbs	1	15
APR	132.1	1460 lbs	1514 lbs	4	10

Estimated fiscal year 1988 totals for the Nassau site are 1,380 flight hours and seizures totaling 17,350 pounds cocaine, 7000 pounds of marijuana, 14 aircraft, and 70 prisoners.

SENATOR LAUTENBERG: Provide a table or other summary showing how the aerostats for which you are requesting $115 million have improved your drug interdiction effectiveness.

ANSWER: The correct figure for land based aerostat follow-on is $15 million, not $115 million. The Cariball I aerostat has been involved in several interdiction cases and provides critical input for nearly every seizure in the northern Bahamas that occurs when it is operating. Cariball II will carry that coverage to the southern Bahamas. The Coast Guard will assume operation of the land based aerostats in the region on 1 October 1988. Presently the Customs Service operates and is contracting for these facilities. This shift in responsibility was approved in a Memorandum of Agreement between Customs and Coast Guard and was approved by the National Drug Policy Board. Customs, the agency presently responsible for these systems, would have any information relative to the improved drug interdiction effectiveness these systems provide.

SENATOR LAUTENBERG: Provide a breakout of each element of the O&M costs for these aerostats.

ANSWER: The breakout of the $15 million required to operate and maintain Cariball I & II is estimated as follows:

	CARIBALL I ($000)	CARIBALL II ($000)
Operation & Maintenance (24 hrs/day, 7 days/week & Subsistence and lodging for on-site personnel)	(1) $6220	$5224
Logistics support (Vehicles, communications transportation, helium, shipping)	337	222
Petroleum, lubricants, phones, electricity	378	378
Insurance (1)	300	N/A
Radar Spares/Depot support	905	905
Communications link to Miami C^3	65	65
Subtotals	**$8205**	**$6794**
Totals	**$14999K**	

Note: (1) Leased system

SENATOR LAUTENBERG: Why is it necessary to expand the number of personnel assigned to EPIC from 6 to 11?

ANSWER: The Coast Guard is a major user of EPIC services. Our increase in personnel at EPIC, specifically to staff a full time maritime watch, will improve responsiveness to maritime-related inquiries.

Increased manpower support at EPIC is also part of the National Drug Intelligence Strategy and Implementation Plan.

SENATOR LAUTENBERG: Have there been cases where you failed to receive relevant and timely intelligence due to staffing inadequacy*?

ANSWER: Regarding EPIC, yes.

SENATOR LAUTENBERG: If so, give some examples.

ANSWER: Patrol summaries from cutters have commented on late responses from EPIC containing relevant information such as: individual armed and dangerous; crew suspected of involvement in smuggling; etc. This was particularly noticeable during periods of intense law enforcement activity, when the watchstander would become overwhelmed by the number of requests from the same or different units. Our staffing increase at EPIC is specifically intended to address this problem.

SENATOR LAUTENBERG: Provide a breakout of the $4.606 million you are requesting for the HC-130 aircraft O&M costs.

ANSWER: The $4.606 million will support the O&M of three new HC-130 aircraft, and is composed of $2.008 million for fuel, $0.282 million for unit level maintenance, and $2.316 million for depot level maintenance.

INCREASE OR RESTORE OPERATIONAL CAPABILITY

SENATOR LAUTENBERG: You are requesting $1.4 million for your Rescue Swimmer Program, which you indicate is necessary because you are replacing your amphibious helicopters with new helicopters with no water landing capability. Why are you procuring rescue helicopters that cannot land on the water?

ANSWER: Prior to initiating the procurement of the short range recovery (SRR) and medium range recovery (MRR) helicopters, a thorough study of the helicopter capabilities required to meet our operational requirements was accomplished. The results of this study indicated that only 0.8 percent (20 of 2,447) of the total number of lives saved per year by our helicopters was attributable to their water landing capability. With this in mind, the additional costs associated with procuring and maintaining amphibious replacement helicopters versus non-amphibious helicopters was not cost justified. Further, since rescue swimmers can be deployed to rescue incapacitated people in heavy sea conditions (our amphibious helicopters could only make safe water landings in light and moderate sea conditions), we have gained more rescue capability by implementing rescue swimmers than we would have gained with amphibious replacement helicopters. Based upon the rescue swimmer program's actual performance to date, we expect this humanitarian program to save 56 lives per year and provide a benefit to cost ratio of 15 to 1.

SENATOR LAUTENBERG: How much of the $4 million increase requested for environmental compliance is for your Underground Storage Tank program?

ANSWER: Approximately $2 million will be used for tank removal, clean up and replacement. The remainder of the funds will provide resources for site investigations and feasibility studies for Coast Guard Comprehensive Environmental Response, Compensation, and Liability Act (CERCIA), Superfund Amendment and Reauthorization Act (SARA) sites and third party CERCIA clean ups.

SENATOR LAUTENBERG: How was this estimate determined?

ANSWER: For FY 1989, 46 underground storage tanks have been targeted for some type of remedial action ranging from the installation of leak detection equipment to complete removal and replacement. Site by site cost estimates have been developed which total $840,000.

Based on our past experiences, roughly 25% of the tanks involved will require some degree of site cleanups. The cost of these cleanups is estimated to be $1.1 million based on historical averages.

SENATOR LAUTENBERG: How many tank projects will this support?

ANSWER: Approximately 38 tank projects involving some 46 tanks will be supported by the FY 1989 program.

SENATOR LAUTENBERG: Provide a breakout of the amount requested for CERCLA investigations and for Coast Guard cost sharing at CERCLA sites.

ANSWER: Out of the $4.0 million requested for FY 1989, $2.0 million is for CERCLA and SARA activities. Coast Guard has been named a potentially responsible party at the following federal superfund sites:

Union Chemical	South Hope, ME
Charles George	Tyngsboro, MA
Cannon Engineering	MA and NH
Yaworski Lagoon	Canterbury, CT
Glenwood Landing	Glenwood Landing, NY
Yellow Water Road	Baldwin, Fl
Duboise Oil	Escambia County, FL
Sydney Mine	Hillsborough County, FL
Liquid Disposal Inc	Utica, MI
Western Processing	Kent County, WA

Coast Guard has been named potentially responsible at the following state superfund sites:

Oak Grove	Henry County, TN

The following Coast Guard facilities will be the site of CERCLA or SARA activity:

Coast Guard Yard	Baltimore, MD
Station Sandy Hook	Sandy Hook, NJ
Group Astoria	Astoria, OR
Base Ketchikan	Ketchikan, AK

SENATOR LAUTENBERG: How was this estimate determined?

ANSWER: Estimates for superfund sites were determined using the average costs for de minimis settlement share based on third party settlement offers to date. For Coast Guard sites, estimates were determined using average costs for site investigations including soil and ground water sampling.

SENATOR LAUTENBERG: You are requesting an increase of $5.1 million for ammunition. Provide a table comparing your munitions stocks and consumption rates for the last three fiscal years.

ANSWER: Table A contains the comparison between Coast Guard munitions stocks and consumption rates for the last three fiscal years.

TABLE A
COMPARISON BETWEEN COAST GUARD MUNITIONS STOCKS AND
CONSUMPTION RATES FOR THE LAST THREE FISCAL YEARS

NAVY AMMO LOGISTIC CODE	NAME	FY85* STOCKS	FY85 CONSUMPTION	FY86 STOCKS	FY86 CONSUMPTION	FY87 STOCKS	FY87 CONSUMPTION	FY88 STOCKS
A011	12 GAUGE #00	1165663	228967	2752336	305001	3934669	322699	3666562
A060	5.56MM DUMMY	0	0	1665	100	4521	0	28398
A066	5.56MM BALL	0	80891	1894617	216901	4490199	303171	8210760
A071	5.56MM BALL	4020694	965148	4944130	1238109	4429073	929023	8815255
A080	5.56MM BLANK	7440	7589	64820	18075	59728	21777	242877
A112	7.62MM BLANK	4800	310	13956	2541	20582	3554	16115
A131	7.62MM LINKED	34100	74605	837577	142973	1029690	64772	2093429
A159	7.62MM DUHMY	2300	0	2300	0	5400	0	1360
A360	9MM BALL	454107	256	432326	41725	327861	55927	305310
A363	9MM BALL	0	0	0	0	0	34088	2829538
A475	.45 CAL BALL	625496	1542133	7586624	1904190	12099259	1697875	11280218
A501	.45 CAL DUMMY	0	0	6842	0	142	0	2192
A557	.50 CAL TARGET PRACTICE	9672	43536	420000	64535	661266	67237	832961
A576	.50 CAL ARMOR PIERCING	0	7039	92666	2025	178208	9625	183207
	.50 CAL MISCELLANOUS	18395	68740	339624	64284	291965	41422	324627
A672	20MM TARGET PRACTICE	1690	3343	34901	1523	89207	3368	105297
A862	20MM HIGH EXPLOSIVE	7680	594	41357	11147	35768	4226	38595
B454	40MM BLANK	762	732	1124	630	2173	964	1338
G841	5.56MM GRENADE	0	369	49661	20640	55922	1377	61459
G911	GRENADE OFFENSIVE	2	44	107	36	512	0	194
L118	SIGNAL KIT MK 79	136	905	11246	1207	11144	1289	10518
L258	SIGNAL MK 80	2681	4064	30603	4115	36326	3394	40955
L275	DISTRESS SIGNAL MK 13	62	3221	29262	5559	38344	5214	71759
L312	SIGNAL M127A1	11	1750	18647	2329	27298	3003	27611
L554	MARKER MK 25	104	1072	2893	879	2024	1697	6256
L580	MARKER MK 58	19	53	988	12	2128	309	2482

*Only reflects Coast Guard stocks located at Naval Weapon Stations.

SENATOR LAUTENBERG: How often do Coast Guard vessels and aircraft actually fire their weapons in the course of drug interdiction activities?

ANSWER: Occasionally, a vessel will refuse to stop and submit to an authorized boarding despite all attempts short of a use of force. In such cases, we initiate a careful step-by-step escalating process to stop the vessel. After a Statement of No Objection is issued by the Commandant or the Chief of the Office of Operations, warning shots will be fired across the vessel's bow as a final step prior to initiating disabling fire. Disabling fire is designed to stop the vessel with as little damage and as few injuries to its crew as possible. There are no statistics kept on the number of times warning shots have been used in order to stop a vessel. However, it is estimated that there have been no more than fifty such cases. There have been fourteen cases in which disabling fire was used. In these fourteen instances , we have inflicted injury to only two people. With respect to foreign vessels, we will request the flag state's permission to initiate disabling fire before doing so. To date, no Coast Guard aircraft have actually fired weapons in the course of drug interdiction activities.

SENATOR LAUTENBERG: Provide a list and schedule of the shore facility rehabilitation projects for which you are requesting $6 million.

ANSWER: The shore facilities maintenance backlog list currently contains 5,400 projects at an estimated cost of $300 million and has grown an average of 6% per year in constant dollars, since 1985. Included in this backlog list are approximately 170 major rehabilitation projects. The scheduling of these rehabilitations is based upon field commander priorities, availability of funds, climatic factors and availability of engineering specialties. Projects considered for these funds will typically fall into the following categories:

piers, bulkheads, breakwaters and waterfront rehabilitation
building and structural rehabilitation
family housing rehabilitation
utility system rehabilitations/repairs
roadway, runway and paving rehabilitations/repairs

SENATOR LAUTENBERG: Why aren't you requesting funds for these projects under AC&I?

ANSWER: With recent AC&I funding levels for shore construction implying a 75 year replacement rate, some measures to extend the service life of our facilities will fall to our Operating Expense (OE) account. These projects are funded by the OE appropriation under our current criteria for shore facility maintenance expenditures.

GENERAL QUESTIONS

SENATOR LAUTENBERG: Provide a table for the record comparing the availability rates for each of your aircraft types with availability objectives for fiscal years 1986-present.

ANSWER: Table A provides the actual availability rates for all Coast Guard aircraft for fiscal years 1986-present. Our objective remains 71 percent availability per aircraft.

TABLE A - AIRCRAFT AVAILABILITY (PERCENT)

	Fiscal Year		
	1986	1987	1988 *
AIRCRAFT:			
HH-52A	68.6	65.8	65.4
HH-3F	63.9	69.2	62.8
HH-65A	48.9	49.3	51.6
HU-25A	53.9	52.5	53.7
HC-130H	77.8	72.6	66.0
E-2C	—	66.0	25.0 **

* based upon first quarter fiscal year 1988 data only
** extremely low availability due to unforecast outer wing panel cracks which grounded most Navy and Coast Guard E-2Cs, and significant delay in obtaining necessary repair parts.

SENATOR LAUTENBERG: According to a recent IG Report (11-15-88), 65 percent of the 3,928 hours flown by Dolphin Helicopters and Falcon Jets during the 12 months ended June 1987 were when they had one or more overdue maintenance tasks. This apparently is contrary to your policy, which is to ground aircraft until all maintenance is current unless an extension is approved by Headquarters. How did this situation occur and what is being done to correct it?

ANSWER: This is not a Coast Guard wide problem. The IG audit was directed at specific maintenance problems at ATC Mobile and discovered an inconsistency between Coast Guard policy and what was being practiced at the unit. Corrective actions as a result of the IG audit were taken by ATC Mobile and the problems have been solved. In the past, practices such as this were discovered and corrected by an annual or semi-annual Headquarters visit. Visits were discontinued due to staffing/funding contraints, but were recently re-instituted. Presently, the Coast Guard is implementing an upgraded, "initiative" real time Computerized Maintenance System (CMS) which will allow units to spot maintenance discrepancies more easily and allow Headquarters monitoring capability.

SENATOR LAUTENBERG: What is your explanation for the Coast Guard's procurement of what appears to be a couple of "lemons"? Does this indicate the need for procurement reforms?

ANSWER: Both the Dolphin Helicopters and Falcon Jets were acquired through the competitive acquisition process prescribed in procurement regulations. Although significant initial problems were and are being experienced, both aircraft are or will eventually perform up to service needs. A primary lesson learned is that it is advisable to procure major systems that are proven and supportable within the DOD support structure.

SENATOR LAUTENBERG: If so, what are you proposing, and when will it be implemented?

ANSWER: No procurement reforms are proposed, but we do plan to purchase aircraft in the future which are supportable within the DOD support structure.

SAFETY INSPECTION STAFFING

SENATOR LAUTENBERG: Last June we received reports on safety inspection staffing for your Commercial Vessel Safety and Hazardous Cargo programs. With respect to commercial vessel safety, your report indicates that by mid-1987 you expected to apply a new staffing methodology based on your Marine Safety Information System. What is the status of implementation of this methodology and to what extent has this indicated a need to either change or relocate the personnel assigned to this activity?

ANSWER: A study is currently under way to evaluate data collected by the Marine Safety Information System and determine whether personnel assignments need to be changed. That study is not complete and therefore the extent of changes required is unknown. It is aimed at re-allocation of personnel based on workload statictics and should be completed by October 1988.

SENATOR LAUTENBERG: Appendix I of your Commercial Vessel Safety report lists the frequency of inspections for the various classes of vessels.

How do you determine whether to inspect annually, every 18 months, bi-annually or triannually?

ANSWER: The Coast Guard establishes inspection intervals for commercial vessels on the basis of vessel design and service in compliance with requirements specified in international treaties, domestic statutes, and Coast Guard regulations. Each of the specified intervals was selected after careful consideration of the risks associated with the specific operation in question.

The major types of inspections conducted by the Coast Guard on U.S. merchant vessels include inspections for certification, periodic reinspections, and drydock examinations. Inspections for certification are conducted to establish that these vessels are in compliance with the prescribed regulations. Midperiod inspections are conducted to ensure that these vessels are maintained in compliance. Drydocking (or alternative where allowed) is required to examine the underwater hull to assure its integrity is maintained. Examination of the internal structure, the cargo tank internals, and tailshaft(s) are also required at specified intervals and usually coincide with a drydock exam.

The prescribed intervals for inspections and examinations of the various vessel types are under continuous public scrutiny and are periodically adjusted as necessary to reflect technological improvements. Recently, the examination intervals for drydocking, internal structure, tank internals, and tailshafts were revised, slightly extending some of the intervals. Other intervals, such as those for the inspection of pressure vessel cargo tanks and bulk hazardous cargo tanks, and small passenger vessel drydock examinations, are under consideration for revision. Otherwise, experience has shown that these inspection and examination intervals are appropriate.

In November 1988, the International Maritime Organization (IMO) will convene a diplomatic conference to harmonize the survey and certification requirements of the major international conventions related to ship safety and environmental protection. The U.S. Coast Guard has played a major role in the development of this harmonization effort to ensure the U.S. goal of upgrading the international system for surveying ships to a level more consistent with U.S. requirements.

SENATOR LAUTENBERG: With respect to your Hazardous Cargo and Environmental Safety program, your report (p.12) refers to several new management tools that you believe can assist you in developing staffing standards. These include a port ranking system, a resource allocation model, and a more advanced resource allocation and planning system.

To what extent have these new systems been developed and implemented?

ANSWER: One of our management tools is the Resource Allocation and Planning System (RAPS). This system builds upon the more simplistic Port Ranking System and Resource Allocation Model. It is designed to calculate the optimum utilization of scarce resources by identifying the most important program activities in the most important ports. This system is still under development, but upon full implementation will provide valuable input for reprogramming and staffing changes.

Another management tool is our Marine Safety Information System (MSIS). MSIS has been implemented and is being upgraded with additional capabilities. Units are able to use this system as a management tool by targeting individual vessels based on the need for an annual inspection or past history of non-compliance. Districts and Headquarters can use MSIS data to determine activity accomplishment and personnel use. In the past, we have utilized MSIS data to identify staffing needs. This information has been critical in documenting our reprogramming and resource requests.

SENATOR LAUTENBERG: If they are being used, what staffing changes, if any, have they indicated are required?

ANSWER: Marine Safety Information System (MSIS) data are not yet available for all program areas. The available data generally indicate that staffing is adequate in most program areas but additional resources are required for some functions. These data are considered preliminary in nature. Studies of program areas not currently covered by MSIS data will be required to determine if resources can be shifted to cover functions identified as requiring additional staffing.

SENATOR LAUTENBERG: There have been a number of newspaper articles, particularly in the Pacific Northwest, about the impact of decreased fisheries enforcement. For instance, it has been estimated that illegal fishing by foreign vessels off the coast of Alaska is a $2 billion business. In addition, such activities may be doing irreparable damage to the fish habitat. How have your fisheries enforcement activities fared over the last 5 years or so, given the allocation of increasing resources to drug enforcement?

ANSWER: As shown by the attached table, the number of cutter patrol days and aircraft patrol hours dedicated to fisheries law enforcement has decreased in recent years. The decrease is a result of many factors: budget cutbacks/slowdowns in FY 86 and 88, increased emphasis on narcotics interdiction, and major maintenance projects on medium and high endurance cutters.

FISHERIES ENFORCEMENT RESOURCE HOURS
FY 84-88*

	84	85	86	87	88*
Cutters	38,947	43,226	25,281	34,240	11,451
Aircraft	4,986	5,959	5,568	3,034	1,025

* FY 88 includes first two quarters only (1 OCT 87-31 MAR 88)

SENATOR LAUTENBERG: How much illegal fishing is there off the coast of Alaska?

ANSWER: It is difficult to pin a p ecise number on the extent of illegal fishing in Alaskan waters. Generally there are two broad categories of fisheries violations: unauthorized fishing in our Exclusive Economic Zone (EEZ) by foreign vessels that do not have permits to fish in the EEZ, and violations of closure or catch limit regulations by foreign and domestic vessels.

Since August 1986, the Coast Guard has detected fifteen foreign vessels fishing illegally in the U.S. EEZ without permits. We have also noted concentrations of foreign fishing vessels just outside the EEZ in international waters. There have also been numerous flights flown that have not located any foreign vessels fishing illegally in the same areas. our belief is that some illegal fishing of this type occurs, particularly in bad weather or at night, but that it is not as extensive as recent press reports have claimed. This type of violation is expected to continue as foreign vessels are displaced from the EEZ by domestic operations.

Violations committed by vessels permitted to operate in this area are easier to track because of reporting procedures and the presence of National Marine Fisheries Service observers. These types of offenses can cause significant damage to fishing resources and cannot be ignored. The attached table shows the number of violations documented in Alaskan waters during the past three fiscal years.

ALASKAN ENFORCEMENT SUMMARY
FY 85-87

	FY 85	FY 86	FY 87
Foreign			
Violations	71	89	33
Written Warnings	152	56	29
Seizures	1	0	1
Domestic			
Violations	3	21	23
Written Warnings	4	5	1
Seizures	0	0	2

SENATOR LAUTENBERG: On a broader level, how do you measure the effectiveness of your efforts in fisheries enforcement?

ANSWER: We have been unable to develop a reliable measure of fisheries enforcement effectiveness. The goal of the enforcement

program is deterrence, a concept difficult to measure. There are no reliable indicators for the level of deterrence. Our efforts to develop such an indicator have included a contract study in 1980, headquarters staff investigations, and cooperation with independent researchers.

Because we do not have a precise indicator, we rely on descriptive statistics to show trends in enforcement effectiveness. We track the number of patrol hours, boardings, and violations detected to develop a quantitative picture of the status of enforcement. For example, if the number of boardings conducted decreases but the number of violations detected increases, it may indicate decreased compliance with the regulations. This is an imperfect relationship; the same increase in violations could be attributed to improved boarding party training or more strict regulations.

One other indicator is feedback from the fishing industry itself. We consider informal reports from fishermen on the extent of compliance with regulations, as well as testimony at fisheries council meetings, to give us indications of our effectiveness.

SENATOR LAUTENBERG: What can you do to increase your effectiveness?

ANSWER: One immediate step that would improve our effectiveness would be to restore patrol operations to normal levels. The 55 per cent reduction in cutter and aircraft patrols caused by this year's budget reductions has significantly damaged our ability to prevent fisheries violations of all types. For example, we are unable to monitor both the EEZ and high seas driftnet fisheries this summer because of a lack of available cutter patrols.

How well we deter violations is not just a function of the number or type of patrol resources. Regulations must be adopted that are easily enforced; violators must be given penalties that are quickly applied and dissuade other vessels from the same activity. Boarding parties and aircrews must be constantly trained in new regulatory requirements. When foreign vessels elude apprehension--as occurred in January, 1988, in the Bearing Sea--we need the cooperation of foreign countries to hold those violators accountable. The Coast Guard constantly works with the Department of State, the National Marine Fisheries Service, and the fisheries management councils to hone these elements of the enforcement problem.

There are, however, some restrictions to our efforts. Present aircraft surveillance operations are limited in ability to conduct patrols at night or in bad weather. Improved sensors--such as the APS-137 radar planned for installation on C-130 airplanes--would give us a better ability to monitor fishing areas.

These systems would improve our ability to conduct nighttime surveillance, but none would be a panacea to our enforcement problems. While they may allow us to detect vessels fishing illegally in our EEZ, they are limited in their ability to identify these violators. In addition, substantial penalties are not usually collected unless the violator is apprehended by a patrolling cutter.

SENATOR LAUTENBERG: Do other agencies have resources that can be used to assist the Coast Guard in carrying out this mission?

ANSWER: The Coast Guard has asked for Department of Defense (DOD) assistance. There are Navy P-3 planes in Alaska; the Navy has begun to supply sighting information to the Coast Guard on a not to interfere basis with their primary mission. The Coast Guard has requested assistance from the staff for the Secretary of the Air Force. They have agreed to provide sighting information on a not to interfere basis with their primary mission.

TRUMAN-HOBBS PROGRAM

SENATOR LAUTENBERG: I understand that the Administration is considering proposing legislation that would transfer the administration of the Truman-Hobbs Program from Coast Guard to the Corps of Engineers. What is the status of the administration's proposal?

ANSWER: Proposed legislation (H.R.4558) to accomplish the transfer of all bridge administration functions administered by the Coast Guard to the Corps of Engineers has been introduced in Congress.

SENATOR LAUTENBERG: What is the Coast Guard doing to ensure that the Truman-Hobbs Program continues to receive appropriate administrative support and attention while this transfer is under consideration?

ANSWER: All Coast Guard District Commanders have been directed to continue processing Truman-Hobbs cases without interruption. Cases which are not completed at the time the program is transferred, will be forwarded to the Corps for completion concurrently with the transfer of program resources.

SENATOR LAUTENBERG: Provide for the record the current status and schedule for completion of all projects currently underway.

ANSWER: Willamette River Bridge - Under reconstruction. Contractor anticipates completion in July 1989. Contract completion date is December 2, 1989.

Newark Bay Bridge - Removal approximately 50 percent complete. Contract completion in December 1988.

Trent River Bridge - Design in 95 percent review stage. Anticipate bid opening approximately January 1989. Reconstruction to be completed within 360 days from Notice to Proceed.

SENATOR LAUTENBERG: Provide for the record a list of projects for which requests may be expected over the next two fiscal years.

ANSWER: The Norfolk Southern Corporation Railroad Bridge at Hannibal, Missouri. The following bridges are now under investigation by the Second Coast Guard District: The Atchison, Topeka and Santa Fe Railroad Bridge at Fort Madison, Iowa, and the Burlington Northern Railroad Bridge at Burlington, Iowa.

QUESTIONS SUBMITTED BY SENATOR BYRD

COAST GUARD FACILITY AT MARTINSBURG, WV

SENATOR BYRD: Admiral Yost, as you may recall, at a meeting in my office last October, you advised me of Coast Guard plans to locate a Coast Guard facility at Martinsburg, West Virginia, which would bring approximately fifty-one full-time personnel and an annual budget of nearly $2 million to the eastern panhandle. Plans for this facility, I was advised, came as a result of a Coast Guard task force survey of the state, conducted at my request, to review possible sites for expanded military activities in West Virginia. I want to again thank you for your cooperation in this matter and express my pleasure that the Coast Guard has responded to my invitation to expand its presence in West Virginia, a state with a long-standing tradition of deep patriotism among its citizens. Admiral Yost, how is this effort progressing? Would you please provide an updated schedule, including significant milestones, leading to the full implementation of this commitment? I understand that a project officer has been assigned to facilitate progress on this important project. I would be very appreciative if a permanent full-time senior civilian (GS 15-18) project officer could continue to be assigned to this project so that the necessary vigor could be applied and continuity maintained throughout the life of the project. May I have your assurance that you will look into this request and that you will continue to keep me fully informed on these important matters?

ANSWER: The project has been staffed and all Coast Guard program areas dependent on the Operations Computer Center have contributed to an outline of the management structure, process and operational features of the future Martinsburg facility. Outside agencies with interests at the facility have also contributed to its design. In July we plan to establish the Operations Computer Center as a Headquarters Unit which is the first major administrative step in establishing a new command at Martinsburg. The Coast Guard and GSA recently negotiated a milestone schedule leading to an operational Martinsburg facility. The milestone schedule is as follows:

EVENT	COMPLETION
Market Survey	Done
Issue Solicitation for Offers	9/88
Receive Offers	11/88
Complete Analysis/Prelim. Negot.	2/89
Complete Interior Layout	4/89
Award Contract	5/89
Complete Construction	3/90
Occupancy Begins	4/90
Full Operational Status	9/90

Since February the Project Manager has been a Reserve Commander on Temporary Active Duty. In August he will be relieved by an active duty Captain, a senior career officer with 24 years of duty in the Information Resources Management field. Additionally the project office has assigned a career Lieutenant as an assistant to the Project Manager. A project review group of operational users continues to oversee this effort. Although no civilian position is available for reprogramming to this project, this mix of seniority and oversight is adequate to ensure that a timely execution of this project occurs. The Coast Guard will keep your office informed on the progress of this effort.

BUDGET REDUCTIONS

SENATOR BYRD: Admiral Yost, as you may recall, during the processing of the Fiscal Year 1988 Transportation Appropriations Bill, I wrote to the Subcommittee (September 28, 1988) in support of the Coast Guard's Fiscal Year 1988 budget. As a result and with the full cooperation and strong support of the Subcommittee Chairman, Senator Frank Lautenberg, the Coast Guard budget received favorable consideration during the Appropriations Committee deliberations on the Fiscal Year 1988 Transportation Appropriations Bill, and $103 million of the $115 million House reduction in Coast Guard operations was restored. Unfortunately, as a result of administration-imposed budget reductions in domestic programs in connection with the so-called "Budget Summit", the Coast Guard budget subsequently suffered some severe and unfortunate cuts in the Conference Committee, despite the best efforts of Chairman Lautenberg and other strong Coast Guard supporters in the Senate. These administration-forced cuts also impacted adversely on other programs, such as AMTRAK, Federal Aviation Administration, Highway programs, etc., which serve West Virginia and the nation.

Admiral Yost, would you please indicate how the Coast Guard is coping with these budget reductions?

ANSWER: In FY 1988, the Coast Guard experienced a $103 million shortfall in its Operating Expenses (OE) appropriation. To deal with this $103 million problem, the Coast Guard used a two-phase solution. First, there was a "squeeze down/slow down" of operations ordered. This one-time tactic was necessary to avoid possible deficiency because the Continuing Resolution was passed so late in the fiscal year. This "slow down/squeeze down" of operations is expected to reduce our routine law enforcement patrols to 55% of FY 1987 levels, all routine search and rescue patrols will be canceled, readiness exercise training will be reduced and less critical aids to navigation will experience greater service intervals.

Secondly, a number of Coast Guard operational and support facilities were either reduced or closed. This will achieve an estimated annual savings of $42 million. Because of the late passage of the Continuing Resolution in FY 1988 and costs associated with the closures, only a fraction of the $42 million in savings ($6-$8 million) will be achieved in FY 1988. We do expect to get the full $42 million savings in FY 1989. Passage of the Administration's request for a $60 million FY 1988 supplemental reprogramming request for the Coast Guard would allow us to return to normal operations and maintenance levels in FY88.

SENATOR BYRD: How is the situation shaping up for fiscal year 1989?

ANSWER: The President's FY 1989 budget request for the Coast Guard will allow full operations in FY89 with no additional facility closings other than the $42 million worth already made in FY88. The budget continues the "no growth" pattern of the last five years. It is not an expansionist budget ... it simply gets the Coast Guard back where it needs to be in fiscal year 1989. It funds follow-on operations of new cutters and aircraft coming on line; it brings back the level of the Coast Guard Reserve to where it was at the end of fiscal year 1987; and it gets closer to the Acquisition, Construction and Improvements (AC&I) levels the Coast Guard had at the beginning of this decade.

1989 is a crucial year for the Coast Guard's budget. There are no more programs from which to squeeze offsetting resources. If the President's request is not supported, we will be forced to either cut more operating units or give up/reduce mission responsibilities.

Questions Submitted by Senator D'Amato

PERSIAN GULF

SENATOR D'AMATO: I have some concerns regarding the costs of the Persian Gulf initiative that was recently undertaken using Coast Guard resources and personnel. Will the Department of Defense pick up <u>all</u> the expenses for this activity?

ANSWER: Preliminary discussions with Department of Defense indicated that Defense would pay the marginal expenses associated with this initiative. These are the expenses Coast Guard incurs that are over and above what is funded in the Coast Guard base to operate the assets that would be committed to the Persian Gulf mission. It is possible that Defense would reimburse Coast Guard for the <u>full</u> cost of the operation...including personnel and ancillary costs. Details on reimbursement were being discussed when Secretary Carlucci announced that Coast Guard resources would not be sent to the Persian Gulf. Agreement on which specific costs would be reimbursable was not reached.

SENATOR D'AMATO: <u>If</u> Defense plans to reimburse Coast Guard only for the additional cost of bringing the Coast Guard assets to the Persian Gulf area and not for personnel and ancillary costs, wouldn't this further reduce the resources you have available for drug patrols and drug interdiction efforts?

ANSWER: Yes, this would initially reduce the resources available for drug patrols and drug interdiction efforts. However, this reduction would only be temporary and slight. New WPB 110 patrol boats for drug interdiction and Search and Rescue are being delivered every 35 days. The Coast Guard would also retain the services of WPB 95 patrol boats scheduled for decommissioning. After a short time lag the new assets, combined with the continued service of the older boats, would result in no net loss of cutters devoted to drug interdiction.

ROLE OF THE COAST GUARD

SENATOR D'AMATO: From 1982 to 1989 the percentage of the Coast Guard operations devoted to law enforcement has grown from 21% to 35%. Enforcement of Laws and Treaties is now the Coast Guard's largest area of operations. It surpasses search and rescue (21%), aids to navigation (21%), marine environmental protection (7.3%), marine safety (6.4%), ice operations (3.9%), and defense readiness (5.5%). Does this indicate to you a change in the Coast Guard's mission?

ANSWER: This change in emphasis reflects Coast Guard action to meet the threat of illegal drugs. The figures also indicate the efficiencies of the Coast Guard's multi-mission character. While new resources have been acquired during this time frame, much of the increase in law enforcement activity represents the redeployment of existing resources to meet an area of growing national concern. The multi-mission capabilities of Coast Guard cutters, aircraft, boats and personnel have permitted a relatively rapid change in emphasis. Combined with implementation of internal economies, law enforcement activities have been increased without significantly decreasing the level of public service in other mission areas. For instance, a vessel or aircraft on a law enforcement patrol will immediately divert to a search and rescue case if required. Time previously allocated to search and rescue standby or training in now allocated to active law enforcement patrol with no real loss in search and rescue mission performance.

SENATOR D'AMATO: The transportation component of Coast Guard's priorities ... such as Aids to Navigation ... seem to be diminishing, do you agree:

ANSWER: No sir, we do not agree. Our Marine Safety and Aids to Navigation missions have remained fairly constant over the past years as indicated in the Workload Data for these programs. Between FY 1980 and FY 1988, the Marine Safety portion of our budget dropped slightly from 6.4% to 5.8%. Aids to Navigation funding also dropped slightly from 23% to 21.4% in the same time period. These funding reductions do not indicate less emphasis, rather they represent stable programs that are realizing savings through productivity and management improvements. Although other portions of our budget, such as law enforcement, have recently received more attention, our transportation-related responsibilities are still high priority.

CAPITAL PROGRAM

SENATOR D'AMATO: What are your top priorities in your capital program?

ANSWER: The Coast Guard's top priorities in AC&I in the near-term will continue to be the multi-year hardware procurements presently under contract (e.g., 378' WHEC Fleet Renovation and Modernization, 210' WMEC Major Maintenance Availability, HH-60 Medium Range Recovery Helicopter). Other hardware replacements will also need to be emphasized (e.g., replacement buoy tenders, icebreakers, small boats). The Coast Guard's shore plant, which has recently been forced into relative neglect due to budget pressures, will also need increased emphasis for the next several years.

PERSONNEL

SENATOR D'AMATO: Have the budget cutbacks at Coast Guard affected the morale of your people?

ANSWER: Overall the morale of our people is relatively high. However, some frustration has been noticeable at operational units. Not being able to do the job one has been trained to do is always difficult to accept.

Budget cuts and budget uncertainty have become a constant and annual threat. Many enlisted personnel and junior officers are concerned about the future of the Coast Guard and the future of their careers. Following the announcement in February of a program for early releases from enlisted contracts we received about 1,300 applications vice the expected number of 500. For civilians, heightened apprehension exists about position eliminations, reductions in force and early retirement opportunities.

SENATOR D'AMATO: How have the budget cutbacks affected the Coast Guard's ability to retain personnel, especially highly trained personnel?

Answer: The budget cutbacks, per se, have not had a direct impact on the retention of highly trained, technical personnel. We have had some recurring problems over the past few years in retaining experienced people in mid-grade levels (E-5,6) in such ratings as electricians, fire control technicians, gunners' mates and radarmen. However, we are gradually "growing" the experienced petty officers we need in these rating and subsequent reenlistment rates remain high. Renewal of the Selective Reenlistment Bonus authorization in October, 1987 certainly has helped our efforts to increase reenlistment rates.

SENATOR D'AMATO: Is the Coast Guard experiencing difficulty in attracting new recruits?

ANSWER: No, no more so than before the budget cuts.

PRIVATE TOWING SERVICES

SENATOR D'AMATO: What would be the impact of such a "new" policy on both the Auxiliary and the commercial towing industry?

ANSWER: The most important feature of the new proposed policy is that the needs of the recreational boater requesting assistance are served first. The new policy would not constrain the Auxiliary facility on patrol, which is frequently operating in areas frequented by recreational boaters, from assisting those boaters when they are in a position to do so. We are working to incorporate safeguards into the instruction which would implement the policy to ensure that the commercial provider's interests would be preserved. Clearly, the commercial provider will be able to provide assistance when they arrive on scene first. Moreover, commercial providers offer many services, such as diving, on-the-water repair, and towing to the location of choice, to the

recreational boater which the Coast Guard and Auxiliary would not. Commercial providers still offer service during the week and during nighttime hours, when Auxiliary facilities are usually not so readily available. These extended services would be of value to the boater.

SENATOR D'AMATO: Could both organizations co-exist under the current policy?

ANSWER: We believe so. Each offers services at times and under conditions which, we think, tends to complement the other.

SENATOR D'AMATO: Do you see any role for the Auxiliary outside of towing, such as assisting Coast Guard patrols for safety or law enforcement violations?

ANSWER: The Auxiliary has no police powers, and so we cannot use them overtly in a law enforcement role. Nevertheless, their active patrol activity, and the fact that they are closely associated with the Coast Guard, makes them a surrogate Coast Guard presence on the waters and tends to deter negligent and illegal activity. We are also expanding their roles in support of a number of Coast Guard operations. Most noteworthy of these is reliance upon the Auxiliary to conduct annual inspections of private aids to navigation.

NEW YORK FACILITIES

SENATOR D'AMATO: What has been the impact in New York state of the various facility closings or reductions that the Coast Guard has undertaken in Albany, Alexandria Bay, and on Governor's Island?

ANSWER: With the closing of the Port Safety Detachment in Albany, New York, we will not be able to respond as quickly to pollution incidents in the upper Hudson River. The normal workload has been transferred to Captain of the Port (COTP) New York.

There have been no impacts at Alexandria Bay to date. The station suspended operations on 1 March and its boats were removed. It officially re-opened for seasonalized operations 13 May and will remain operational through 15 September. Between 1 March and 13 May we were not called upon to respond to any SAR cases in the Alexandria Bay area...although we maintained a continuous radio watch at the station itself to make certain no calls went unanswered.

The Vessel Traffic Service (VTS) on Governor's Island remains open, but the VTS operations area is being scaled down in anticipation of closing by 30 June 1988. Without traffic service there is an increased potential for marine accidents, in that vessels will no longer have traffic advisory information to supplement their use of buoys, rules of the road and bridge to bridge radiotelephone. However, new regulations require that vessels have equipment that is in proper working order and that the vessel is properly navigated. Also, numerous passive methods for traffic control, such as: buoys, bridge to bridge radiotelephone, Regulated Navigation Areas and Traffic Separation Schemes, remain in place.

Senator LAUTENBERG. We appreciate the presentation. We share anguish over these cuts. New Jersey, with its long coast line relative to its land mass, has a great interest in Coast Guard. We have a whole resort area. We have got enormous marine commercial and recreational activities, commercial fishermen, recreational fishermen, boaters. And the New Jersey shore is legendary in the books on pleasant places in America to be, or at least used to be. Now we have so much trash and so much pollution, and we have had green tides and red tides and you name it.

So we have a particular vantage point from that aspect. We also have a keen interest in the drug problem. New Jersey is plagued, like other states. Drugs have reached epidemic proportions. It has its ancillary sicknesses attached to it now, problems attached to drug interdiction, which pervades every level of our society, our communities. So we share an interest in seeing that you have the equipment and the resources to tackle that job.

So there is a whole variety of things that piques a special interest in Coast Guard besides the fact that I am out there on the sea sometimes on a small pleasure boat. I almost wish I had a black box so you could see as we tilt and tip and submerge a little bit, that you could send out an automatic holler and rescue. But we do not ask for that from the Coast Guard. You have got too many other important things to do.

But we know that for people in the boating industry, recreational boaters, it is very reassuring to know that there is the equivalent of a 911 that one can call and know that you are being cared for.

So we commend the Coast Guard for a long and illustrious history of service to our country. We, as you know, continue to expand your portfolio of activities. There is no better endorsement than that of the quality of the people you lead and the quality of service that they provide.

So we just will have to work together to see if we can continue to enhance the resources. And we would ask you on your end to make do as well as you can with occasionally less. But we will try to catch you up.

The main thing that I think affects you in the long term is when we have reductions in staff. It takes a while to catch up. If we do not have the equipment, it takes time to catch up. If you do not have the other resources of a capital nature, it takes some time to catch up.

Now, we are trying our very best to get the training station in Cape May restored to enough land so that you do not have to walk on water to function there. I am told that the Corps of Engineers is going to be starting something this summer to help replenish the sand and the beach there, not just for the recreational use in the area, but for the value of the installation that we have there for training people. Is that correct, do you know?

Admiral YOST. Yes; that is correct. It is correct, and we want to be a part of that, and we want to be a partner in that solution.

Let me say, Mr. Chairman, that we are pleased that we have a strong chairman, a chairman from a strong coastal state. We need that, a chairman who understands the Coast Guard, and a chairman who has historically fought our battles for us.

I am not the least bit disappointed with your willingness to discuss Function 1790 and other things with me at some length, sir.

Senator LAUTENBERG. Thank you very much. This hearing is adjourned.

That concludes the hearings. the subcommittee will recess and reconvene at the call of the Chair.

[Whereupon, at 12:34 p.m., Thursday, April 28, the hearings were concluded and the subcommittee was recessed to reconvene at the call of the Chair.]

MATERIAL SUBMITTED BY AGENCIES NOT APPEARING FOR FORMAL HEARINGS

[CLERK'S NOTE: The following agencies of the Department of Transportation did not appear before the subcommittee this year. Chairman Lautenberg requested these agencies to submit testimony in support of their fiscal year 1989 budget request. Those statements and answers to questions submitted by the chairman follow:]

DEPARTMENT OF TRANSPORTATION

OFFICE OF INSPECTOR GENERAL

STATEMENT OF JOHN W. MELCHNER, INSPECTOR GENERAL

GENERAL INTRODUCTION

Mr. Chairman and members of the Subcommittee, I am pleased to be here today to discuss the Fiscal Year (FY) 1989 budget request for the Office of Inspector General (OIG), Department of Transportation (DOT). With me are Mr. Raymond DeCarli, Assistant Inspector General for Auditing; Mr. Rae Scott, Assistant Inspector General for Investigations; and Mr. Glenn Wienhoff, Assistant Inspector General for Policy, Planning, and Resources, who manages our support functions. I've asked these gentlemen to accompany me today should you wish to discuss details of some matters with which I am not entirely familiar.

BUDGET REQUEST

Our budget request is for $29.6 million and 467 positions. This request represents an increase of $1.7 million over the funding level approved for FY 1988. Of this increase, $880,000 is for cost increases over which we have no control such as pay raises, the increased cost of the new Federal Employees Retirement System, escalating costs of office rental rates, and for services provided through the Working Capital Fund administered by the Office of the Secretary of Transportation. The balance of $861,000 is for program increases related to increased staff, more contract audit services from the Defense Contract Audit Agency (DCAA), and necessary travel and training requirements.

PROGRAM INCREASES

Ten Full Time Equivalents (FTEs) and $327,000 are being requested to fully staff our ongoing and planned audits and complete them in a timely manner. These 10 FTEs will restore the audit staff levels to those in place during FY 1987.

The cost of audits obtained from DCAA increased sharply in the first 4 months of FY 1988, attributable to increased requirements for contract

proposal audits and to quality control procedures implemented by DCAA. Billings for the first 4 months were over one-half of the amount budgeted for all of FY 1988. In order to be able to continue critically needed contract proposal audits for the Department, DCAA was requested to suspend, effective January 31, 1988, all incurred cost, overhead, and contractor surveillance audit work, with the exception of incurred cost audits involving Federal Aviation Administration Advanced Automation System contracts with International Business Machines and Hughes. These kinds of audits can be deferred now and completed later.

For FY 1989 an increase of $218,000 is requested for contract audit support. We are working with DCAA and the Modal Administrations to assure that we are requesting the appropriate amount of contract audit work at the least amount of cost. We will continue to work with the Modal Administrations to refine the estimates of the amount of contract audit work that will be needed.

We have changed the mix of our audit work to do fewer uncoordinated audits of local or regional issues and do more audits which encompass entire programs, functions, or activities of the Department. These Modalwide and Departmentwide audits have the potential for large scale economies and efficiencies, or increased program results. However, they are more expensive in terms of manpower and travel than local or regional audits. Because of their high pay off potential, they are our top priority audit work. We are requesting $100,000 in additional travel funds to enable the staff to accomplish these important audits.

A good example of a modalwide audit is the audit of State Highway Right-of-Way (ROW) Billings. This audit is designed to determine the accuracy and allowability of ROW acquisition charges billed to the Federal Highway Administration (FHWA). The audit will involve the testing of transactions in five FHWA regions and 16 states. The activities audited spend 73 percent of the funds for this program. By doing the audit

FHWA-wide, we will be able to comment on the full impact of any program weaknesses, as well as to estimate the total savings that can be achieved through change.

An increase of five investigative positions, four FTEs and $131,800 is requested to handle the increased workload generated by the Program Fraud Civil Remedies Act of 1986 (Public Law 99-509). This Act authorizes agencies to seek, through administrative adjudication, civil assessments and penalties for smaller dollar frauds which previously would not have been brought to trial because of the judicial expense involved. We feel that the monetary penalties we will be able to obtain under this law will be greater than the cost of the increased positions to handle the required investigative workload.

An increase of two FTEs and $65,000 is requested for the OIG's participation in projects for the President's Council on Integrity and Efficiency (PCIE). These projects enable issues to be addressed across the entire Federal government through coordination of the audit and investigative work of the Inspectors General staffs throughout government. This office is presently involved on the PCIE audit of contract modification's, the audit of accounting systems, and the computer systems integrity project. We are also the lead agency on the PCIE entry level hiring project, and we have a representative on a PCIE committee reviewing the disciplinary processes of the State Boards of Accountancy.

New General Accounting Office standards, with which we are required by statute to comply, prescribe increased and mandatory training requirements. We are requesting a small increase of $20,000 in training funds this year to address a portion of the requirements imposed by the new standards. The remaining requirements will be budgeted for in future years.

FUTURE OPERATIONS

For the current and budget year, our audit efforts will focus on identifying areas where DOT management can achieve more effective use and

control over DOT resources. Audits will deal with correcting systemic deficiencies, which will result in reducing costs or improving the administration of DOT-funded programs. Audit emphasis will be placed on procurement systems, property management, grant award and administration, and fund control. Assuring that effective procedures and systems are in place will also contribute to reducing the likelihood for fraud or abuse in Departmental programs. Additionally, through protective audits, we are increasing our assessment of the business management functions of smaller facilities, which would not normally fall under large scope audits of Departmental activities and programs.

Our investigative effort will continue to emphasize antitrust (bidrigging) activities, an area where we have been highly successful. We will expand our efforts into several aspects of the highway construction industry in addition to asphalt paving. Initial efforts have produced indictments and convictions in interstate highway fencing contracts and in highway electrical contracts. We will also continue to give priority to investigations involving false/fraudulent Disadvantaged Business Enterprises, fraud in DOT funded grant programs, and fraud in the Department's procurement process.

SUMMARY

I believe the coming year will be challenging for the OIG; a year in which we will continue to face tough choices on how best to allocate our limited resources to provide the necessary audit and investigative support to the Department. I am confident the OIG can fulfill its responsibilities with the resources requested for FY 1989, and I look forward to the challenge. This concludes my statement. I will be glad to answer any questions you may have.

Questions Submitted by Senator Lautenberg

Office of Inspector General

FY 1989 Request/FTEs

SENATOR LAUTENBERG: You are proposing 467 positions and 467 FTEs for fiscal year 1989. How is it that you anticipate no "lapse" or vacancies for the fiscal year? Or do you plan to exceed your authorized positions and/or FTE allotment for a portion of the year?

ANSWER: The 467 positions and full-time equivalents (FTEs) represent a 17 position "lapse" because the FTE ceiling contains 9 temporary FTEs and 8 nonceiling FTEs. The following chart displays the "lapse" requested in the past four budget submissions.

	1986	1987	1988	1989
Full-time Permanent Positions	458	459	471	467
Total FTEs	463	462	466	467
Ceiling Temp. FTEs	9	9	9	9
Non-ceiling FTEs	8	8	8	8
Full-time permanent FTEs	446	445	449	450
Lapse	12	14	22	17

Since employment is controlled through FTE ceiling, we would maintain approximately 450 full-time permanent staff on board and stay within our FTE controls.

SENATOR LAUTENBERG: Why are your authorized positions varying from 471 in fiscal 1987, to 460 in fiscal 1988, to 467 in fiscal 1989? Do these changes reflect differing assessments of your staffing requirements?

ANSWER: The changes do not reflect a substantively differing assessment of staff requirements except as explained below. The 471 positions authorized for Fiscal Year (FY) 1987 were a result of congressional action. Our budget request was for 459 positions plus Congress restored 12 positions associated with the Essential Air Service audit function. Our budget request for FY 1988 was for 471 positions (same level of effort). As a result of the budget conference agreement which reduced our program level by $1,402,000, Office of Management and Budget (OMB) reduced our positions by 11 and our FTEs by 15. The FY 1989 request of 467 positions is an increase of 16 FTEs over the 1988 level. The increase consists of 10 FTEs to fully staff ongoing and planned audits, 4 FTEs to implement the Program Fraud Civil Remedies Act (PFCRA), and 2 FTEs for the IGs participation in projects of the President's Council on Integrity and Efficiency (PCIE).

SENATOR LAUTENBERG: Your justification indicates that you have 8 non-ceiling FTEs. To what positions or activities are these allocated and why are they exempted?

ANSWER: These 8 FTEs represent hours worked in nonceiling programs approved by OMB such as: Summer Aids, Stay-in-School Programs, the Federal Junior Fellowship Program, and the Worker-Trainee Opportunity Program.

The majority of the nonceiling positions utilized by the Office of Inspector General (OIG) are in the Stay-in-School Program which provide administrative support both to Headquarters and field activities.

This program allows the appointment of needy students who are enrolled on a substantially full-time basis in high school or college. These students may work at the minimum wage or at any level up to GS-4, or the equivalent in the wage system, depending on their qualifications. They are allowed to work part-time, up to 20 hours per week, while school is in session, and full-time during vacation periods.

The objectives of the program are:

a. to increase the opportunities for students to support themselves while continuing their education,

b. to provide work experience for students who are later eligible for full-time career positions with Government,

c. to support the Department's Equal Employment Opportunity Affirmative Action Plan for Minorities and Women, and

d. to provide stopgap clerical support to OIG staff for temporary, fluctuating and limited workload requirements.

President's Council on Integrity and Efficiency

SENATOR LAUTENBERG: You are requesting two additional positions and $65,000 for projects in connection with the President's Council on Integrity and Efficiency. Why does this interagency coordination require more personnel? Why can't these activities be handled by your top managers as part of their normal duties, which include external representation of the OIG as well as strategic planning?

ANSWER: Our top managers are very much involved in PCIE projects. They provide supervision of the audits and routinely take care of all management responsibilities such as liaison with other Inspector General (IG) organizations, attendance at planning meetings and staffing the audit reports. Our involvement in PCIE audits has increased substantially at the working level. Prior to FY 1988 we participated in three to four PCIE audits. Our commitment in FY 1989 is to participate in nine PCIE audits. We expect to provide a high level of involvement in these audits in FY 1990.

PCIE audits by their very nature are complex, require extensive coordination, and are staff intensive. The Governmentwide issues addressed by PCIE projects require increased involvement and input from the various participating agencies during all phases of the audits. Broad Governmentwide

audits require that (i) audit plans are tailored to meet each individual agency's needs, (ii) project objectives are accomplished in an uniform and timely manner, (iii) the quality of audit work is stringently monitored and controlled, (iv) problems are promptly identified and resolved, and (v) the results of the projects are incorporated into a comprehensive consolidated PCIE audit report. The additional resources requested are a portion of those necessary for our increased involvement in the PCIE audits.

Fraud and Civil Remedies Act

SENATOR LAUTENBERG: You are requesting an additional five positions, four FTEs and $131,800 for implementation of the Program Fraud Civil Remedies Act of 1986 which became effective October 21, 1986. Provide for the record a table displaying the increase in workload associated with this Act in fiscal (year) 1987 and to date in fiscal (year) 1988 as compared with fiscal years 1985 and 1986.

ANSWER:

Workload Associated with PFCRA

	Estimated Hours of Staff Time	No. of Investigations	FTEs
FY 85	0	0	0
FY 86	0	0	0
FY 87	2,000	0	1
FY 88	4,000	1 complete 6 in progress	2
FY 89	8,000	20	4

We expended about 2,000 hours related to PFCRA workload during FY 1987. This effort was staff and management time dedicated to construction of the Department of Transportation (DOT) final rule which implemented PFCRA, meetings, briefings, and new administrative procedures, such as amending the operating procedures manual to promulgate PFCRA case procedures. The DOT final rule implementing the PFCRA was effective on January 14, 1988.

The statute was prospective in nature in that only offenses which occur after the effective statute date may be brought. To date we have completed one case which will be brought under the PFCRA. Given the normal lag time between commission of an offense and discovery and investigation, our caseload should not begin until next fiscal year. It is important to note that to date, the Department of Justice (DOJ) has had no PFCRA cases referred by any agency.

Our initial PFCRA effort has thus far accounted for approximately 800 hours direct time charges by our field

investigators. We estimate that about 100 additional staff hours have been directed to this project by Headquarters managerial and administrative personnel.

Communications, Utilities and Miscellaneous Charges

SENATOR LAUTENBERG: You are requesting $590,000 for communications, utilities and miscellaneous charges. What portion of this is for telephone and other telecommunications?

ANSWER: Of the $590,000 request for communications utilities and other charges, $460,000 or 78 percent is for telephone and other related charges.

SENATOR LAUTENBERG: Why do these costs continue to escalate?

ANSWER: The primary increase has been in the area of telecommunications as shown in the following chart. Increased charges account for approximately a 10 percent increase per year. In addition to cost increases, however, beginning late in FY 1986, the Office of the Secretary started charging the users of the Headquarters NASSIF building telephone system for costs not previously charged. The following are the costs charged with the approximate yearly costs to the OIG:

System maintenance	$ 8,000
Study for local area networks	4,000
Systems expansion	12,000
Depreciation	10,000
	$34,000

The other significant increase is the requirement for the OIG to pay express mail charges of $25,000 previously paid by OST.

SENATOR LAUTENBERG: Provide a table for the record comparing your estimated costs for this object class with actual costs incurred for fiscal years 1985-1987 broken out by major item.

	1985		1986		1987		1988	1989
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Budget
Equipment	$ 68,000	$ 28,369	$ 50,000	$ 45,275	$ 56,000	$ 41,285	$ 65,000	$ 65,000
Local Phone	150,000	112,031	125,000	170,124	143,000	150,830	251,000	265,000
Long Distance	20,000	12,208	25,000	28,481	17,000	17,159	18,000	18,000
FTS	200,000	142,749	170,000	180,524	214,000	209,288	164,000	177,000
Penalty Mail	30,000	30,162	30,000	30,028	39,000	40,024	65,000	65,000
Total	$468,000	$325,519	$400,000	$454,432	$469,000	$458,586	$563,000	$590,000

General Audit Program

SENATOR LAUTENBERG: You indicate that your emphasis in the audit program will be on "systemic deficiencies" with particular respect to procurement systems, property management, grant award and administration, and fund control. You have done considerable work in these areas in the past. What is new about this emphasis on systemic deficiencies?

ANSWER: Many of our prior audits have had a rather narrow focus. They reviewed a program or issue in a single region and did not provide broad enough coverage to evaluate the program throughout the Department or a Modal Administration. If a serious problem was identified by the audit, we could not answer the bigger question; is this a major Departmental or Modal problem or is it only in this state or region? We sometimes made inferences that could not be adequately supported; for example, we said if the problem found in this region was indictive of others, the impact would be X. Conversely, if we found the program to be functioning properly, the inference was that it worked well throughout the Department. Neither conclusion was justified based on the work actually done.

We believe that the Departmental managers and other interested parties want to know the answer to the larger question. That is why we are shifting our emphasis from small, local, or geographic audits to Modalwide and Departmentwide audits. These audits will take more resources to do both in staff time and travel, but they provide the best opportunity for making significant improvements and economies to the Department's operations.

For example, there are about 38,000 active duty U.S. Coast Guard (USCG) personnel. Their pay records are kept at approximately 70 different locations. In the past, regional offices periodically reviewed Coast Guard pay in their local area. When we found problems, we did not know whether they were local or Coast Guard-wide. The Coast Guard active duty pay, and associated allotment transactions, amount to about $900 million and account for one-third of the Coast Guard's budget. It is important to know if there are systemwide problems in this significant program. We now have a Coast Guard-wide audit of the program in process which will identify the extent of erroneous and unsupported entitlement payments. We have statistically selected units and transactions for review, and when the audit is completed later this year, we will be able to tell within defensible statistical boundaries how well this $900 million program is functioning.

The switch to Departmentwide and Modalwide audits requires auditors with good management skills. The up front planning, scheduling, and monitoring of the audit work is much more extensive than on the local audits. One of the key ingredients to being successful is the application of sound statistical selection and evaluation principles. Last fiscal year, we added a statistician to our staff to give us this essential capability.

SENATOR LAUTENBERG: What problems has your past work in these areas revealed? Would you provide a summary of your major past findings for the record?

ANSWER: Past audits have identified a variety of problems in Departmental policies, procedures, and management controls as

well as overall compliance with Federal requirements. The following reports addressing the areas of procurement, property management, grant award and administration, and fund control provide some examples of significant findings on reports issued in FY's 1987 and 1988.

PROCUREMENT

Requirements for a USCG Helicopter Procurement Needed To Be Reduced

This audit examined all of the USCG requirements for the Medium Range Recovery (MRR) Helicopters. We found that the USCG reduced the number of MRR helicopters being procured thereby saving $62 million. This savings resulted, in part, from the OIG's prior audit of the USCG Short Range Recovery (SRR) Helicopter Replacement Program which took exception to the number of SRR helicopters being procured. In response to the SRR audit, the Deputy Secretary requested the USCG to review its helicopter capabilities; and although the full SRR procurement was ultimately approved, a reduction was made in the MRR procurement after taking into consideration the higher number and capability of the new SRR helicopters. The USCG agreed with the report and emphasized that additional savings have resulted from the decision to procure a helicopter already in use by the Navy and by consolidating USCG and Navy requirements into one procurement action. (AV-CG-8-010)

Proposed Cold Bay Air Facility Would Only Minimally Improve USCG's Search and Rescue Effectiveness

This audit examined the USCG's proposed air facility in Cold Bay, Alaska. The audit concluded that if built, the facility will result in the unnecessary expenditure of approximately $107 million for construction and helicopters and $8 million in annual operating costs. The facility will not significantly improve the USCG's search and rescue (SAR) effectiveness in the area, and will pose significant operational risks and problems. Specifically, analysis of SAR cases for FYs 1983 through 1985, with USCG confirmation, showed that only 6 of 36 lost lives could have possibly been saved if USCG resources had been more immediately available from Cold Bay. Also, because of the severe Alaskan environment, flight operations at Cold Bay could be limited and adversely affected by severe icing conditions and turbulence, aircraft launch standards might not be obtained, and backup aircraft might not be available if the primary aircraft goes down. The USCG agreed with the report's findings. (RO-CG-7-147)

Opportunities to Reduce USCG Aircraft Materiel Procurement Costs

This audit reviewed procurement costs at the USCG Aircraft Repair and Supply Center (AR&SC) Elizabeth City, North Carolina activity. The audit determined that the USCG can reduce aircraft materiel procurement costs by periodically reevaluating the feasibility of repairing inventory items classified as consumable and by implementing controls to ensure that such repairs are

awarded to the least costly source. OIG review of a statistical sample of AR&SC inventory of consumable aircraft parts, valued at $21.9 million, showed that $2.5 million of the parts can be more economically repaired rather than being discarded upon failure. After deducting the relevant repair costs for these parts, net savings of about $1.5 million could have been achieved. Further, a review of 120 items repaired in AR&SC shops in FY 1986 revealed that cost savings of $118,000 on 27 items could have been realized had comparative cost analyses been performed and the work awarded to available lower-cost alternative repair sources. USCG officials agreed with the findings and plan to implement appropriate corrective actions. (R4-CG-7-144)

Federal Aviation Administration (FAA) Engine Management Program Needs To Be Enhanced

This audit examined FAA's Engine Management Program at the Aeronautical Center in Oklahoma City. The objectives of the review were to determine whether FAA complied with applicable directives when making decisions to repair, overhaul, or buy aircraft engines; and whether they established adequate controls over contractor billings. We found that the Center has not obtained comprehensive information required to make informed decisions for the $7.5 million in program expenditures for repairing, overhauling, or buying engines for FAA-owned aircraft over a 30-month period. A review of a random sample of 27 of 90 engine overhaul or repair cases showed that FAA could have saved $164,000 by purchasing replacement engines rather than repairing or overhauling the original engines. In addition, FAA has not established adequate procedures for processing contractor billings. As a result, FAA has not recovered approximately $759,000 in contractor overbillings for the 27 cases reviewed. The overbilling cases have remained unresolved from 96 to 858 days and cost the Federal Government an estimated $129,000 in interest. All findings and recommendations in this report have been resolved. (R6-FA-7-197)

PROPERTY MANAGEMENT

USCG Had Not Stocked the Proper Quantities of Aircraft Repair Parts in Their Inventory

This was an audit of two air stations in Florida. The objectives of the audit were to determine whether prescribed aircraft maintenance tasks had been performed timely and whether aeronautical and avionics material field stock inventories were being properly maintained at authorized levels. We found that the two air stations needed to improve their management of aircraft repair parts to ensure that only authorized items and quantities are stocked and that proper accountability controls are maintained over field inventories. Field stock inventory on hand for 28 percent of the 4,251 authorized line items differed from authorized quantities. The air stations were understocked on 751 and overstocked on 435 line items. This under and overstocking of authorized quantities occurred because: (i) one station did not maintain perpetual stock records and had not performed annual physical inventories of its avionics material

inventory, and (ii) the other station had not performed adequate annual physical inventories of its avionics and aeronautical material inventories. Additionally, 286 excess ready-for-issue parts that had been accumulated in aircraft maintenance shops at the two air stations were not returned to supply when found to be unneeded. The understocking of allowance list items could delay needed maintenance and reduce aircraft availability; while the overstocking of these items result in the accumulation of excess repair parts in the shops. USCG officials concurred with OIG recommendations to adjust inventory balances to authorized levels and establish adequate inventory accountability controls. (R4-CG-8-061)

National Highway Traffic Safety Administration (NHTSA) Needed to Improve Controls Over Contractor-Held Property

This audit examined whether NHTSA's property management system provided adequate administrative and financial controls over contractor-held property. We found that NHTSA's property management system did not contain effective administrative and financial internal controls over Government-furnished or contractor-acquired property totaling $3.6 million. Of this total, documentation was incomplete in the control files for about $2.4 million of property acquired prior to 1984, and complete data had not yet been entered into a new automated management system that was being implemented at the time of the audit on about $1.8 million of this property. With respect to approval of contractors' property control systems for 43 of the 72 contractors, there was a lack of affirmative documentation in the property records that such evaluations and approvals had been accomplished, or a statement in each file to the effect that an evaluation was not necessary. NHTSA officials agreed with the finding and recommendations and identified several actions to correct the problem, including establishing procedures to document property files and periodically reconciling their financial property records with the contractors' financial property reports. (AS-NH-8-008)

Maritime (MARAD) Needs to Significantly Improve Its Management and Control of Ready Reserve Force Vessel Spare Parts

This audit examined MARAD's management and control of vessel spare parts for the Ready Reserve Force (RRF). We found that MARAD is not effectively managing, controlling, and accounting for shore-based and onboard spare parts for RRF vessels. Inventory records for shore-based spare parts, valued at $8.9 million, are incomplete and inaccurate; and spare parts have been acquired without demonstrated need, inspection, or plan for their use. Also, shore-based spare parts do not exist for almost one-half of the RRF vessels; while other parts in the inventory support only a few vessels, exist in excessive quantities, and may never be used. In addition, MARAD has lost accountability of about 84,000 onboard spare parts estimated to be worth $2.5 million. Finally, approximately $1.3 million has been spent to conduct and record physical inventories which are no longer valid and provided minimal benefits to ensuring parts accessibility and timeliness of equipment repairs. MARAD officials generally agreed with the OIG findings and recommendations and indicated

plans to develop and implement formal policies, procedures, and guidelines for managing and controlling spare parts inventories for RRF vessels. (R3-MA-7-080)

USCG Needs To Improve Its Management and Control of Cutter Stocked Repair Parts

This was an audit of USCG's management and control of repair parts stocked on board the cutter fleet. The audit was performed at the Ships Inventory Control Point, Curtis Bay Maryland and included examinations performed on board 12 cutters within four districts. We found that the USCG needs to make significant improvements in the management, control, and accountability of repair parts stocked on board USCG cutters. Specifically, (i) the Combined Allowances for Logistics and Maintenance Support (CALMS) system, which establishes approved inventory allowances for onboard repair parts, has not been effectively implemented and (ii) actual repair parts stocked on board cutters have not been effectively accounted for and controlled. Although an estimated $4 million has been spent to implement CALMS and $541,000 is being spent annually to maintain the system, CALMS has only been implemented on 40 percent of active USCG cutters and with limited success. On the eight cutters visited, less than one-half of the CALMS recommended spare parts are stocked and more than two-thirds of the parts stocked are not recommended by the CALMS allowance documents. USCG should establish a target date of not more than 2 years to develop and fully implement a plan to improve the effectiveness of CALMS; otherwise, the system should be abolished. In addition, the OIG estimated that cutter personnel have lost accountability of actual onboard repair parts. Significant variances existed between repair parts on hand, and inventory records and the combined total of overages and shortages could amount to $9 million fleetwide. All findings and recommendations in this report have been resolved. (R3-CG-7-117)

FAA Improvements Needed to Properly Manage Items Containing Polychlorinated Biphenyl (PCB)

This audit was made in five FAA Regions and examined FAA's management of equipment containing PCB. The objectives of the review were to determine whether the FAA regions (i) identified and marked equipment containing PCB, (ii) handled and stored the items safely, and (iii) disposed of excess contaminated equipment in accordance with Environmental Protection Agency (EPA) regulations. We found that FAA has taken significant steps to advise its personnel of regulations applicable to managing items containing PCB, a known carcinogen. However, additional improvements are needed to ensure the regions are complying with EPA regulations. While the Central and Southern Regions satisfactorily managed their items containing PCB, the Eastern, Northwest Mountain, and Southwest Regions have not always (i) labeled, inventoried, and registered items containing PCB as required by EPA; (ii) stored them safely for prescribed timeframes; and/or (iii) disposed of them properly and economically. Increased monitoring and oversight by FAA Headquarters would have provided greater assurance that the regions were consistently complying with their responsibilities

to implement the EPA regulations. Full compliance will not only help prevent environmental contamination and human exposure to health hazards, but also reduce FAA's vulnerability to fines and lawsuits. FAA officials agreed with the report's findings and recommendations. (R6-FA-7-065 and R3-FA-7-050)

USCG Policies Need Redirection To Ensure Improved Real Property Use

This audit examined the effectiveness and efficiency of USCG's Real Property Management. In the seven Coast Guard Districts and three commands reviewed, we found that USCG needs to address inconsistencies in real property management practices found at various USCG activities to ensure efficient and effective use of real property. OIG review at seven districts and three commands disclosed that (i) utilization surveys are not completed as required, (ii) unused property is not excessed promptly, (iii) master plans do not give full consideration to property needs on an areawide basis, and (iv) prime office space is improperly used to store inactive records. Based on OIG evaluations, $22 million of unutilized property at five districts and two commands were identified that was not required for current or future use. Additionally, over $900,000 annually in potential lease cost savings at three districts were not realized because property needs were not considered on an areawide basis when planning for real property use. USCG officials agreed with the OIG finding and recommendations and planned to initiate appropriate corrective actions. (AS-CG-7-002)

GRANT AWARD AND ADMINISTRATION

Significant Irregularities Were Found in a State Highway Safety Agency

This audit examined three state's administration of Highway Safety Grants and NHTSA's oversight activities. Although grant activities were properly managed in two states, there were significant irregularities in one of these states. We found that this state highway safety agency improperly charged NHTSA grants for unauthorized, misrepresented, miscalculated and unsupported costs, diverted revenues from a Federal-aid project, and did not adequately account for grant property. Costs were improperly transferred among approved grant tasks to maximize Federal reimbursements, Federal-aid billings included task charges for which there were no corresponding recorded costs, revenues which should have been credited to a Federal-aid highway project were retained and used for other purposes, and proceeds from the sale of grant property were not reimbursed to the Government. These improprieties were due, for the most part, to circumvention of internal controls by principal members of the state management team. NHTSA officials agreed with the findings and recommendations and took action to recoup $435,744 of ineligible costs and diverted revenues. Other corrective actions, including personnel changes in the state highway safety agency, were initiated by NHTSA and state officials to restore and maintain the financial integrity of the state agency. (R7-NH-8-083)

States Receiving Federal Highway Administration (FHWA) Grant Funds Were Not Performing Sufficient Vehicle Safety Inspections

This audit examined FHWA's management of the Motor Carrier Safety Assistance Program. We found that motor carrier safety assistance grants were made by FHWA without adequate assurance that states' enforcement programs included sufficient road-side inspections of motor carrier vehicles during off-peak hours. A review of state operating data for the 29 states that received at least two consecutive implementation grants, showed that only six states had performed at least 25 percent of their inspections during off-peak hours. For seven states, the number of inspections conducted during off-peak hours could not be determined because state data did not address the extent to which off-peak inspections were being made. Data from the remaining 16 states indicated that the states were either (i) performing less than 25 percent of their inspections during off-peak hours, (ii) planning to conduct off-peak inspections, or (iii) unable to perform off-peak inspections because they lacked the physical facilities. FHWA officials concurred with the finding that more vehicle safety inspections are needed during off-peak hours and have reemphasized the need for off-peak inspections to all participating states. (AS-FH-8-006)

One Urban Mass Transportation Administration (UMTA) Region Needs To Better Control Grant Budget Revisions and Amendments

This audit examined UMTA's Region IX use and disposition of grant funds. We reviewed the regions process for amending grants, making budget revisions, and deobligating surplus grant funds. We found that UMTA Region IX grant funds have generally been used for properly authorized mass transit purposes. However, specific improvements are necessary in controlling budget revisions and grant amendments. Specifically, review at five transit authorities showed that (i) one grantee has improperly used $19 million in surplus UMTA grant funds to absorb a cost overrun on another grant, (ii) three grantees have made improper budget revisions to avoid funding restrictions on $2.7 million in lapsed funds, and (iii) one grantee has not deobligated about $3 million on a completed project for an extended time period. UMTA does not fully agree with the report's findings and recommendations pertaining to the use of lapsed funds to finance new tasks. The OIG and its attorney advisor are assessing recent correspondence received from UMTA on this issue. (R9-UM-7-131)

More Timely UMTA Recovery of Proceeds from Destroyed Transit Equipment is Needed

This audit examined UMTA's Capital Grant Program pertaining to the disposition of damaged or destroyed Federally funded transit equipment in region 5. We found that transit authorities in UMTA Region 5 are not routinely notifying UMTA when damaged or destroyed grant equipment is removed from service. Review of seven transit operators disclosed that about 90 percent of the refunds due UMTA for damaged and destroyed buses and rail cars removed from service were not remitted. The remaining 10 percent was either remitted untimely or was improperly calculated. As a result, approximately $7 million due UMTA remained uncollected

for an average of 46 months. Further, the U.S. Treasury has incurred as much as $1.9 million in additional borrowing costs because of these delays. UMTA agreed with OIG recommendations to (i) initiate immediate action to collect refunds due from grantees, (ii) issue a Regional Bulletin clarifying grantee reporting and remittance requirements, and (iii) emphasize these requirements during triennial reviews of grantee operations. (R5-UM-7-065)

FUND CONTROL

Need to Deobligate Maritime Contract Funds

This audit examined MARAD's contract closeout process. In connection with this review the OIG identified $782,000 in unliquidated obligations for 42 contracts that had been closed out and whose files had been returned to the records center. Since these funds could be deobligated and used for unfunded projects, the matter was brought to management's attention. As a result, MARAD officials obtained the relevant files and deobligated the funds. (AS-MA-8-001)

Timely Identification and Reprogramming of Unused Highway Funds Possible Through Improved Project Monitoring

This audit examined FHWA's monitoring of Federal-aid Highway Projects. We found that FHWA Regions 1 and 3 need to improve their monitoring of Federal-aid highway projects to assure that the states promptly initiate actions to deobligate excess funds for reprogramming to other highway transportation needs. Review of 70 completed projects in two FHWA Region 1 states showed that about $17.5 million in excess funds had not been promptly deobligated. Similarly, review of 290 projects in two FHWA Region 3 states revealed that 154 projects were inactive or completed, some for periods up to 15 years. Accordingly, about $52 million in unexpended funds could have been deobligated from these projects and made available for other highway needs. These conditions existed primarily because the FHWA regions had not established adequate procedures for use by divisions in assuring that states effectively manage the closeout of Federal-aid highway projects. FHWA regional officials agreed with the OIG findings and recommendations and have already taken actions to release and reprogram most of the excess funds identified. (AS-FH-7-016 and R3-FH-7-172)

SENATOR LAUTENBERG: You also indicate you have revised the audit planning process to give higher priority to departmentwide and Modalwide audits. When was this change initiated?

ANSWER: The change was implemented in the development of the FY 1988 audit plan which began in March 1987. However, as noted in the answer to the prior question some Departmentwide and Modalwide audits were conducted prior to that time.

SENATOR LAUTENBERG: How many of these Departmentwide or Modalwide audits have you conducted?

ANSWER: The FY 1988 audit plan contains 10 Departmentwide audits and 47 Modalwide audits to be initiated during FY 1988. As of May 1, 1988, one of these audits has been completed. We have 21 of these audits in progress. Most of the remaining audits will begin later this fiscal year but because some audits have taken more time than we had estimated and because of requested audit work, a few will be deferred until FY 1989.

SENATOR LAUTENBERG: Provide a summary of the findings, recommendations, and resulting corrective actions to date.

ANSWER: The results of the one Modalwide audit identified in the FY 1988 plan are:

The Modalwide audit reviewed the acquisition process and requirements for the Medium Range Recovery (MRR) helicopters. We determined that the USCG procurement plan was sound. The USCG was procuring the helicopters as part of a U.S. Navy purchase and all spare parts were also to be supplied through the Navy logistics system. We verified that the USCG reduced the number of Medium Range Recovery (MRR) helicopters being procured thereby saving $62 million. This savings resulted, in part, from the OIG's prior audit of the USCG Short Range Recovery (SRR) Helicopter Replacement Program which took exception to the number of SRR helicopters being procured. In response to the SRR audit, the Deputy Secretary requested the USCG to review its helicopter capabilities; and although the full SRR procurement was ultimately approved, a reduction was made in the MRR procurement after taking into consideration the higher number and capability of the new SRR helicopters. The USCG agreed with the report and emphasized that additional savings have resulted from the decision to procure a helicopter already in use by the Navy and by consolidating USCG and Navy requirements into one procurement action. (AV-CG-8-010)

Protective Audits

SENATOR LAUTENBERG: Explain briefly what a "protective audit" is.

ANSWER: A protective audit is designed to assess the administrative management practices at smaller DOT facilities that are not normally included in larger-scope audits of Departmental activities and programs.

SENATOR LAUTENBERG: What problems, if any, have these audits revealed thus far?

ANSWER: To date we have completed a total of 75 protective audits, the problems identified by the 46 audits completed during the 6-month period ending March 31, 1988, were as follows. There were deficiencies in Imprest Fund activities at 15 facilities including one cash shortage of $1,500. The cash shortage problem was turned over to the OIG Office of Investigations as a potential fraud case. Problems at 11 facilities were found in small purchase activities including the procurement of items for personal use. This potential fraud case has been turned over to USCG and the responsible individual was court martialed. Property control and accountability problems were found at 18 facilities. These problems have been provided to the audit

control point for consideration when planning an audit of the FAA's procedures and practices for property control and accountability. Other areas where problems were found are time and attendance procedures at 25 facilities, travel activities at 21 facilities, vehicle utilization at 19 facilities and inventory control at 7 facilities.

Internal Audits

SENATOR LAUTENBERG: You indicate that your internal audits include assessments of program efficacy as well as administrative and financial efficiency. Provide for the record a summary of your major program evaluations over the last three fiscal years along with a status report on any policy/programmatic changes recommended on the basis of these evaluations.

ANSWER: From FY 1986 to the present, we issued 755 internal audit reports. Summaries of 98 major internal audit reports issued during the period are included in Section 1 of these Semiannual Reports to Congress. Examples of 8 of these audits are included below. All audit findings and recommendations in these reports have been resolved except for the Audit of FAA's Noise Compatibility Program (Report Number R4-FA-6-110). The Department's followup official has referred this report to the FAA for reconsideration of its position.

PROGRAM EFFICIENCY AUDITS

States' Bridge Inspection Programs Needed Improvement

Improvements were needed in the National Bridge Inspection Program to ensure that bridges are adequately inspected. The audit found that, in six of the seven states reviewed in one region, the OIG found that state personnel had not performed underwater inspections, established adequate internal controls over bridge inspections, or conducted thorough inspections. Also, in all seven states, FHWA regional offices had not adequately reviewed significant aspects of the states' bridge inspection programs or evaluated their division offices' monitoring of the states' programs. Inadequate bridge inspections could allow unsafe bridge conditions to go undetected resulting in safety hazards to the motoring public. In response to the report's recommendations, FHWA has (i) initiated action to amend the National Bridge Inspection Standards to include requirements for underwater inspections, (ii) issued guidance to field offices which places emphasis on reviewing the states' internal controls over inspections, and (iii) established procedures for performing evaluations of the division's monitoring of the states' programs. The audit was performed in response to a recommendation by the National Transportation Safety Board. (AS-FH-8-007)

Improvements Were Needed in USCG's Hazardous Waste Program

This Modalwide audit disclosed that the USCG Headquarters needed to take additional action to make the elimination of hazardous materials and waste more effective at its shore units. At 14 of 21 USCG headquarters and field units classified as large quantity

generators, hazardous waste was held on site for time periods in excess of the legal limit because of difficulties in obtaining pickup services by EPA approved hazardous waste transporters. Protective measures to safeguard personnel and property from the hazards of polychlorinated biphenyls (PCB) had not been taken by 10 of 37 USCG units. Additionally, USCG units usually assigned hazardous materials management responsibility to uniformed members, thereby increasing the possibility of loss of experience and technical expertise when the member is transferred to a new duty station. The OIG recommended that the USCG: (i) provide more specific guidance to the units on methods to assure that hazardous waste is disposed of within the prescribed time limits, (ii) perform a current USCG-wide inventory of electrical equipment to determine whether any items containing PCBs are leaking and warrant appropriate disposal actions and whether all nonleaking PCB contaminated items are properly marked and managed, and (iii) assign civilian personnel to manage hazardous waste and materials at shore units which handle or generate large quantities of such substances. USCG officials agreed with these recommendations and have taken corrective action. (R4-CG-8-030)

Significant Savings Possible Through Improvements in FAA's Noise Compatibility Program

The Airport Noise Compatibility Program can be significantly improved nationwide through vigorous pursuit of land use controls, greater emphasis upon less costly techniques to contain or reduce airport noise, and redevelopment of land purchased for noise compatibility. In the FAA southern region, neither airport sponsors nor local political jurisdictions have appropriately zoned or otherwise restricted undeveloped land surrounding airports to preclude noncompatible development. As a result, 2 of the 14 airports reviewed in this region did not take action to prevent the construction of additional residential units valued at approximately $55 million on noise impacted land. Less costly strategies such as noiseproofing and restrictive building codes are available to achieve airport noise compatibility. Nonetheless, 90 percent of the $322 million of Federal aid provided for this purpose nationwide has been used to buy land. Further, little action has been initiated to return this land to productive compatible use even though redevelopment could result in a recovery of $43 to $123 million. All findings and recommendations in this report have not been resolved. (R4-FA-6-110)

Improvements Needed in Airmen Certification Program

FAA's program for medically certifying airmen to fly is overly dependent on pilots reporting their own drug and/or alcohol problems. Current FAA regulations do not provide for verification of the information reported by the pilot through either medical testing for alcohol or drug use, or through administrative cross checks such as review of driving records. OIG analysis of 711,648 active airmen, medically certified by FAA to fly airplanes, identified approximately 10,300 airmen who have had their driving privileges suspended or revoked for driving while intoxicated. Most importantly, 7,850 of these airmen did not report this information to FAA on their medical applications.

These statistics cast serious doubt on the integrity of the FAA self-disclosure policy and denies medical examiners important medical information in evaluating pilots' ability to fly airplanes. FAA agreed with OIG audit recommendations and has initiated corrective action. (AV-FA-7-018)

Vehicle Management Needed Improvements in One FAA Region

FAA's Western-Pacific Region has not evaluated leasing vehicles from commercial sources in lieu of the General Services Administration. However, the region could potentially save $1,024,080 over a 4-year lease cycle if a commercial firm is used. These potential savings are possible without reducing the existing services while at the same time improving internal controls over gasoline and maintenance expenditures. Also, records of FAA-owned special purpose vehicles are not complete or accurate. Wide variances exist between the number of owned vehicles shown on the region's physical inventory report and vehicle assignment report. FAA officials generally agreed with the findings and recommendations and plan to implement appropriate corrective actions. (R9-FA-7-176)

Better Coordination Needed in DOT's Disadvantaged Business Enterprise (DBE) Programs

Opportunities exist to improve the efficiency and effectiveness of DOT's DBE program which cost about $16 million annually Departmentwide to administer. Overlapping activities in areas such as marketing assistance, data base management, and financial assistance were noted in FHWA, UMTA, and the Office of the Secretary (OST) Office of Small and Disadvantaged Business Utilization (OSDBU). These overlapping and sometimes duplicative activities have caused conflicts among Departmental program managers and inefficiencies in using program funds. OST management officials agreed to clarify OSDBU's mission statement concerning its policy direction and coordination roles. In addition, a Departmental DBE task force was established to address coordination problems. (AS-OT-7-007)

FINANCIAL AUDITS

A State's Financial Management System Could Not Be Relied on for Federal-Aid Highway Billings

One state DOT had expended considerable resources to improve its financial management systems by developing the State Transportation Accounting and Reporting System. Notwithstanding these efforts, management decisions to prematurely implement this system without adequate documentation, testing, and validation had resulted in Federal-aid billings that could not be relied upon. Survey tests disclosed an error rate in excess of 30 percent. Because discrepancies disclosed by the survey exceeded $9 million, we concluded that additional audit effort was unwarranted until necessary internal controls are established and financial system deficiencies are corrected. Although the full impact of the errors on Federal billings were not determined,

followup actions by FHWA have resulted in billing credits of over $260,000. FHWA and state officials generally concurred with the findings and recommendations to improve the state's billing system. (RO-FH-8-070)

Improvements Needed in Management of MARAD's Federal Ship Financing Guarantee Program

MARAD needs to improve its management of the Federal Ship Financing Guarantee Program (Title XI). Specifically, MARAD has approved the restructuring of Title XI loans without adequate cost analyses of available alternative actions and without preserving the Federal Government's first position to participate in proceeds from the sale of defaulted vessels. Our review of 21 restructured Title XI loans revealed that 11 companies have defaulted on $279 million and 7 companies have subordinated MARAD's primary position on $20 million. Moreover, MARAD has not made cost comparisons to determine the most economical location to store defaulted vessels. We estimate that savings of $1.3 million annually can be achieved by storing defaulted vessels at National Defense Reserve Fleet sites. Also, we found that the ship financing fund is in a deficit position because MARAD has chosen to borrow over $450 million from the Treasury to meet Title XI obligations rather than request Congress to directly appropriate monies for this purpose. Direct appropriations would have been preferable since projected fund revenues will be unavailable to repay the Treasury borrowings. All findings and recommendations in this report have been resolved. (AV-MA-6-040)

SENATOR LAUTENBERG: Your justification refers to several recommendations with which DOT management has agreed which "could result in substantial savings" (p. 15). What is the status of DOT's action on these recommendations? What is the total of savings to be realized and are these savings reflected in the Department's FY 1989 request? If so, where?

ANSWER: The status of DOT's action on these recommendations, the total savings to be realized and the reflection of these savings in the Department's FY 1989 request are as follows:

(i) Not building a proposed United States Coast Guard (USCG) search and rescue facility.

The planned building, staffing, and location of aircraft at a facility in Cold Bay, Alaska, was cancelled. The budgetary impact was that $10.1 million in unobligated design and survey funds were reallocated to achieve a $257.1 million program level as provided for in congressional direction on the 1988 Continuing Resolution.

(ii) Consolidating two USCG Reserve Training Centers.

Reserve training has been consolidated at Yorktown and the reserve training school at Alameda has been closed. The budgetary impact was that $6.4 million in unobligated funds were reprogrammed for other needs.

(iii) Initiating immediate action to recover proceeds from destroyed transit equipment.

UMTA agreed to collect refunds due from grantees, clarify grantee reporting and remittance requirements, and emphasize the refund requirement during triennial reviews. The financial

impact will be the recovery of $7 million in refunds which will be reprogrammed to fund additional mass transportation projects approved by UMTA.

(iv) Developing a plan to dispose of unneeded interstate highway land.

FHWA agreed to take appropriate actions to assure that the state develop a disposal plan for 800 acres of land. One-third of the land has already been sold for about $5 million. The state plans to sell another one-third and is estimating proceeds of about $5 million based on previous sales. The remaining one-third of the land, estimated at $5 million based on previous sales, will be used by the state for highway-related purposes. The estimated $10 million sales proceeds from the sale of the land will be used to fund other FHWA approved Federal-aid highway construction projects.

(v) Reducing health care staff to levels consistent with established USCG workload standards.

USCG have taken steps to correct this situation. They will realize about $1.8 million cost savings by reducing clinics to authorized strength and eliminating one 06 physicians billet. An additional $500,000 will be realized when the two Maintenance and Logistics Commands (MLC) are fully operational and the MLCs have had the opportunity to develop and evaluate alternatives. Excess personnel assigned to USCG clinics have been reassigned to other duties within USCG with one exception. There will be no budget impact in FY 1989 because no clinical positions were abolished. The one exception involves the medical officer at the New Orleans clinic. This position has been abolished, which is reflected in the FY 1989 budget.

Fraud Prevention and Detection Surveys

SENATOR LAUTENBERG: You indicate that there were four fraud prevention and detection surveys in fiscal year 1987. What activities or agencies did these surveys cover and what were the results?

ANSWER: During FY 1987, three of the four fraud prevention and detection surveys involved Metropolitan Planning Organizations (MPO). These entities were funded, in part, through grant funds coming from FHWA and UMTA. These MPO surveys did not uncover any improprieties. The fourth survey involved an analysis of travel vouchers prepared by FAA employees who had transferred from one FAA region to another. This analysis did not identify any fraudulent activity.

SENATOR LAUTENBERG: How many surveys have you completed or do you have underway this fiscal year?

ANSWER: In fiscal year 1988 to date, we have completed seven surveys, all involving MPOs. None of the MPO surveys completed in FY 1988 identified any improprieties or fraudulent activity.

Unresolved Audit Findings

SENATOR LAUTENBERG: Last year you stated that there were 142 unresolved audit reports with a potential value of $234

million at the end of fiscal 1986. What was your unresolved backlog at the end of fiscal 1987?

ANSWER: Our unresolved backlog at the end of FY 1987 consisted of 135 unresolved audit reports of which 10 is over 6 months old.

SENATOR LAUTENBERG: How much money is at stake in those audits?

ANSWER: These unresolved audits accounted for a total of $319 million in potential savings and recoveries. About half of the total, $155 million, is tied up in one unresolved audit involving FAA's Airport Noise Compatibility Program.

SENATOR LAUTENBERG: What are you doing to reduce your backlog?

ANSWER: During the 6-month period ended March 31, 1988, 130 of the 135 audits were resolved and we now have only 5 unresolved reports over 6 months old. We are working closely with management to achieve resolution on the remaining five, including the FAA audit referenced above.

Contract Cost Recoveries

SENATOR LAUTENBERG: Last year you told the Committee that you had questioned $338 million in grants and contracts over 4 years and that DOT agreed to $267 million of these costs. However, you had verified only $175 million in actual recoveries and $28 million was still in process. What is the status of the remaining $64 million? What is the status of the $28 million that was in process?

ANSWER: We have determined that no recovery action was taken on the remaining $64 million. The primary reason for the $64 million difference involved two audit reports. One report, R4-UM-3-100, involved $36.9 million (Federal share) of real property which UMTA grantees had acquired in excess of project needs. In evaluating the situation, it was agreed that disposal of some of the land should be delayed until project completion because the market value would increase and the amount realized would be higher. The deferred recovery amount was $21 million and we dropped the amount from our recovery computation. An audit is planned next year to determine the amount actually recovered which should be more than the originally estimated $21 million. Some $16 million of property was immediately disposed of and this amount was recorded as an actual recovery. The other report, R9-UM-1-130, involved about $35 million of expenses recorded by UMTA grantees for self-insurance reserve accruals because UMTA had not issued procedures for self-insurance programs. UMTA subsequently determined that the accruals were allowable and the $35 million was not recovered from the grantees. Also, the $28 million in process has now been reduced to $18 million. Of the $10 million reduction, $5 million was recovered and $5 million was determined to be unrecoverable.

SENATOR LAUTENBERG: You state that your contract audits in fiscal 1987 recommended savings of $118.5 million. Were those savings realized? If not, why not. If so, are these savings reported to the Committee or reflected in the Department's budget submission. If not, why not?

ANSWER: The $118.5 million is composed of $3.5 million of costs questioned on contract audits and $11.5 million of recommended reductions to contractor's proposals. We consider only the $3.5 million to represent savings as noted in Table 1 of our Semiannual Report to Congress. We track the savings related to cost questioned, but have not evaluated the contracting officers achievement of the proposed reductions.

The $3.5 million of savings from the costs questioned will not be realized until the amount to be disallowed can be agreed upon with DOT management and collection action undertaken against the contractors. This process can take well over a year from the time the audit report is issued. Our annual secondary audit followup review to be conducted later in FY 1988 will determine any recoveries of disallowed costs questioned for reports issued in FY 1987.

Prior to FY 1988, we did not track audit recommendations related to proposals. We have since implemented a process to determine if the proposal resulted in an award; and if so, to evaluate the contracting officers' use of the information provided from the audit.

Regarding contract proposals, our current policy is not to track any "savings" resulting from our recommended reductions. This is because the proposals we review in many cases are not the proposals selected, or used, to support a later contract award; further, the contracting officer has broad flexibility regarding the extent to which he will use our recommendations in his negotiations with the contractor. Considered together, these factors tend to reduce the effectiveness of any tracking system.

Although we do not track these "savings," our recommended reductions are reported to the committee as part of our Semiannual Report to Congress. The footnote to Table 1 of this report explains that the recommended reductions to contractor's proposal reviews are not included "above-the-line" as part of the cost questioned amount being reported.

Investigative Activities

SENATOR LAUTENBERG: You request four additional FTEs to "stay abreast of the workload" you expect to be generated by your involvement with the Program Fraud Civil Remedies Act of 1986 (P.L. 99-509). However, your justification does not show how responsibilities you associate with this Act represent additional activities beyond those normally associated with a fraud case where criminal prosecution is pursued. Please explain your responsibilities under P.L. 99-509. Although your justification implies that the "additional" workload associated with P.L. 99-509 will involve investigations, only one of the four additional FTEs requested is for an investigator, the others are for administrative, clerical and management personnel. What is the relationship between the nature of the "additional" workload as spelled out in your justification to the additional FTEs requested?

ANSWER: The IG has been designated as the "Investigating Official" for DOT under the provisions of the Department's rule implementing P.L. 99-509. Reports of investigation we will produce under the PFCRA will be somewhat different from those normally provided to the DOJ on a fraud case. An important distinction that affects the investigation itself is the necessity to fully develop all fraudulent claims. In criminal cases, prosecutors often restrict charges to the more egregious counts in an indictment.

The PFCRA hearing process may not enable direct testimony from all witnesses, and we expect that these case reports will need to include much more deposition or sworn statement material. The more detailed reporting requirements of PFCRA will impact on OIG administrative and personnel resources.

For PFCRA cases, all counts must be documented, and investigation to determine collectibility is required by DOJ. This thorough investigation and documentation of all counts is necessary in order to assess the amount of penalty action which will be pursued by the Department; i.e., $5,000 civil penalty false statement. Further, each count on a PFCRA false claims case will establish the amount due the Government, and the subsequent assessment action; i.e., not more than twice the amount of the false claim, or the portion thereof that is false.

Once a PFCRA case has been identified, a Headquarters staff manager initiates coordination and briefings of staff members reporting to the Departmental Reviewing Official. This process is somewhat similar to a prosecutive referral to DOJ. When the report of investigation is received by OIG Headquarters, the investigative staff manager is responsible for a quality and sufficiency review of the report. At this point, the report must meet Departmental criteria, which include specific monetization of the offense and financial assessment of the case subject, which further includes the subject's ability to pay fines and penalties in the event that the Government prevails. Upon receiving the report, the Reviewing Official may request additional investigation before further processing any PFCRA action. Should this happen, the investigative staff manager will coordinate the additional investigative assignments with the OIG field elements. The PFCRA process will add to the OIG management requirement for investigative case administration. By contrast, this entire review and coordination process in a criminally prosecuted case is normally accomplished by the DOJ element which will prosecute the case.

Upon the Reviewing Official's transmittal of the PFCRA case to DOJ for its review, the OIG staff will remain "on call" to the Reviewing Official for any needed followup or clarification. Finally, after the Reviewing Official transmits the case to the Hearing Official and a hearing date is established, our field and Headquarters staff will coordinate the production of evidence, testimony, and witnesses, which may include OIG investigators, as required by the nature of the case.

Although we anticipate that our investigative field staffs will be somewhat impacted by PFCRA requirements, we believe that the additional management and administrative requirements outlined in this process justify the additions to our staff. Our first such investigation, not yet completed, is already responsible for about 900 staff hours, both direct and indirect. A significant amount of that time charged was by management and

administrative personnel working on different elements of the case. We expect that a successful conclusion of this first PFCRA effort will generate an increasing number of similar cases once Department elements become fully aware of this civil remedy provision.

SENATOR LAUTENBERG: For fiscal years 1987 and 1988 (to date): How many of reactive cases (by type -- employer, grants, etc.) were open as of the beginning of the fiscal year?

ANSWER:

PENDING AS OF:	Contracts	Employees	Grants	Other*
FY 1987 (10/1/86)	38	83	98	50
FY 1988 (10/1/87)	40	69	122	43

SENATOR LAUTENBERG: How many of each type were opened during the year?

ANSWER:	Contracts	Employees	Grants	Other*
FY 1987	18	43	73	32
FY 1988 (thru 3/31/88)	13	35	20	24

SENATOR LAUTENBERG: How many of each type were closed during the year?

ANSWER:	Contracts	Employees	Grants	Other*
FY 1987	14	63	50	34
FY 1988 (thru 3/31/88)	10	27	34	14

*Represents former employees, companies making false statements involving safety and maintenance requirements, and cases involving "gray market" vehicles or odometer rollbacks.

SENATOR LAUTENBERG: Please provide an analysis of the nature of the hotline complaints received; e.g., contract fraud, employee theft, etc.

ANSWER: We categorize hotline complaints into several general categories. In FY 1987, the hotline opened 256 cases with the following breakdown:

- 17 - Time and attendance (falsified records; leave and overtime abuse)
- 46 - Contracts (mischarging, favoritism, etc.)*
- 50 - Grants (majority involving DBE concerns)
- 1 - Imprest fund (misuse)
- 45 - Personnel matters (prohibited practices, irregularies, etc.)
- 10 - Mismanagement (wasteful activities and practices)
- 6 - Procurement (wasteful acquisitions and methodology)
- 29 - Regulatory (violations of rules; unsafe/hazardous practices)
- 8 - Travel (false claims, waste of travel funds)

44 - Property (misuse, general waste)
*At the outset of FY 1987, DBE complaints were categorized as "contract" complaints but later included in "grants" category.

For FY 1988, the 187 total hotline cases opened as of May 27, 1988 have been categorized as follows:

11 - Time and attendance (falsified records; leave/overtime abuse)
17 - Contracts (mischarging; favoritism)
50 - Grants (majority continuing to be DBE related)
28 - Personnel matters (irregularities; prohibited practices)
15 - Mismanagement (general waste of resources)
1 - Procurement (wasteful practices)
21 - Regulatory (safety and general rules violations)
8 - Travel (false claims, waste of funds)
36 - Property (misuse)

SENATOR LAUTENBERG: Do hotline complaints represent a reliable source of information leading to successful investigations and remedial action, or are a large majority of these complaints ones that do not merit the application of investigative resources?

ANSWER: We believe that hotline complaints do represent a reliable source of information for both successful investigations and for remedial actions by other Departmental elements. We have found that more than half of the complaints we receive merit further inquiry. Of those complaints we assign for investigative, audit, or administrative inquiry, a substantial number result in remedial action. The following analysis reflects FY 1987 and FY 1988 hotline activity and results:

In FY 1987, we received a total of 455 complaints, with 256 being entered into our action control system which indicates they merit further inquiry. Of the 59 that were assigned to our investigations staff for preliminary review and inquiries, seven resulted in some form of remedial action, 16 complaints were converted to formal investigations, four inquiries are pending, and 32 were unsubstantiated.

The balance of the 197 controlled complaints were forwarded to the various modal administrations or the OIG audit staff for review and possible action. Fifty-three of these referrals resulted in corrective or preventive action, and 127 complaints required no action or were unsubstantiated, with 17 still pending.

For FY 1988, a total of 314 complaints have been received as of May 27, 1988. We have entered 187 complaints into our action control system. Forty-eight of these have been assigned to our investigations staff for preliminary review, and to date remedial action has been taken on 3 complaints, 11 have been converted to formal investigations, 21 are pending completion of inquiries, and 13 have been unsubstantiated. Again, the balance of the complaint inventory (139) has been forwarded to the OIG audit staff or Modal Administrations. At this time, 30 complaints have resulted in some form of remedial action, 37 have been unsubstantiated and 72 are pending completion of review.

SENATOR LAUTENBERG: What is the basis for your estimate that the increase in reactive cases between fiscal year 1987 and the estimate for fiscal year 1988 will hold constant for fiscal year 1989?

ANSWER: In late FY 1987 and early FY 1988, the IG authorized an increase in full time investigative positions, with a corresponding decrease in audit positions. We had expected to use this additional FTE manpower to realize an increase in closed reactive cases in FY 1988; however, we have actually experienced a short fall in FTE investigative positions due to budget constraints. We expect not to be able to fill a total of seven positions by the end of FY 1988. While we expect an increase in our caseload in FY 1989, the loss of the seven FTEs means that we will probably not realize the projected increase in the number of cases closed with a corresponding increase in inventory. However, we intend to address this backlog with hiring up to full strength in FY 1989.

Price Fixing/Bid Rigging

SENATOR LAUTENBERG: On page 24 of your justification you refer to a joint investigation into price fixing and collusive bidding practices in the Eastern Judicial District of Pennsylvania. Please identify and describe the Department of Transportation project or grant that was the target of the criminal activity.

ANSWER: The criminal conduct involved price fixing and bid rigging on asphalt products sold to various government entities within Lancaster County, Pennsylvania. Following convictions of the parties involved, the FHWA took debarment action against two individuals and three corporations. Although none of the defendants was charged with a violation involving a particular Federal project, there were Federal highway funds provided the state. Our interest is in ensuring a free and open marketplace in every industry which involves significant DOT funds; in this case, the highway construction industry.

SENATOR LAUTENBERG: Last year you testified that the FHWA system for detecting patterns of collusive bidding (called AAWAS) is more sophisticated than the Bid Analysis Monitoring System (BAMS) and can be used in conjunction with BAMS. Why do you plan to acquire the BAMS software?

ANSWER: We do not now plan to acquire the BAMS software, nor have we programmed any funds for collusion detection software. The BAMS is the de facto standard system for contract management, preparation of engineer's estimates, and collusion detection. It is owned by the American Association of State Highway Transportation Officials and licensed to each user. We are presently relying on each of the states to maintain and monitor their own bid and contract data. When we initiate an antitrust investigation in a state that uses the BAMS, we use the state's data base so we may selectively perform our own analyses and determine trends or patterns. In the absence of BAMS, we are required to manually assemble bid data for analytical comparison, all of which is accomplished automatically by BAMS. We are working with a multi-state BAMS users group to assist them in more effective collusion detection and deterrence and in the development of a common data exchange system.

SENATOR LAUTENBERG: Does this mean that you will not use the FHWA system? Please explain how your monitoring system will work.

ANSWER: We have no plans to use the FHWA system. FHWA paid for development of a software system called the Highway Collusion Detection System (HCDS), which was made available to the states at no cost in August 1986. The use of HCDS is more sophisticated and requires someone with a background in economic theory and statistical analysis. It is a highly technical system which is not "user friendly," and it is designed for a single purpose; collusion detection. Because the BAMS can be used for tracking most types of bidding and government contract activity, in addition to collusion detection, it is the system favored by the majority of the states. To our knowledge, no state is routinely using the HCDS.

Debarments

SENATOR LAUTENBERG: What is your opinion of the way the debarment process works and its effectiveness?

ANSWER: We have been pleased that the DOT Modal Administrations have been using suspension and debarment as an effective and appropriate administrative action for firms and individuals convicted of criminal violations involving DOT-funded projects. Additionally, the DOT implementation of the new OMB guidelines for nonprocurement debarment and suspension should ensure consistency among the Federal agencies concerning debarment and suspension of participants in Federal programs.

SENATOR LAUTENBERG: Please provide a list of the 25 debarments initiated in FY 1987.

ANSWER:

Company/Individual	State Where Convicted
J. H. Strain & Sons	Texas
J. H. Strain & Sons*	Texas
Mystic Bituminous Products	Connecticut
Joseph McGonagle	Connecticut
Peckham Materials	Connecticut
Dosch-King Corporation	Connecticut
James P. King	Connecticut
Jersey Slurry Seal	New Jersey
Nicholas Continisio	New Jersey
James Reichey, Jr.	New Jersey
Ronald J. Shatto	New Jersey
William H. Stansbury	New Jersey
Byram Crushed Stone	New Jersey
Kramer Oil Company	New Jersey
Peter N. Kero	New Jersey
Batzer Corporation	Minnesota
Robert S. Batzer	Minnesota
Bruce Batzer	Minnesota
The Lansdell Corporation*	New York
Emulsion Marketing	New Jersey
James Reed Sales	New Jersey
Rupp Construction	Minnesota
Douglas Rupp	Minnesota

*These two were suspended first, then debarred and were included twice in our total of 25 bid rigging related debarments.

SENATOR LAUTENBERG: Please identify the contractor and the Disadvantaged Business Enterprise referred to on page 24 and 25 of your justification that was involved in "pass-through" DBE scheme on DOT-funded construction projects.

ANSWER: The prime contractor was The Tanner Companies, Phoenix, Arizona, and the DBE firm was Mendoza Concrete Contracting, Inc., Glendale, Arizona.

SENATOR LAUTENBERG: How much in the way of DOT funding was involved in the Arizona project?

ANSWER: The total amount of the highway construction contract awarded by the Arizona Department of Transportation was approximately $3.3 million. There was U.S. DOT funding involved in this project, which normally ranges between 60 and 90 percent of the project total.

SENATOR LAUTENBERG: How long has the decision regarding the Arizona debarment been pending? When do you expect the decision to be made, and if it was made recently, what was the decision?

ANSWER: We referred our investigation report to FHWA for debarment action in April 1987. On August 7, 1987, we learned the FHWA had decided against debarment action on The Tanner Companies (Tanner). FHWA stated that this decision was made based on a civil settlement agreement entered between Tanner and the Arizona Attorney General's office, whereby Tanner had agreed to compensate the State of Arizona for their breach of contract.

SENATOR LAUTENBERG: On page 26 of your justification you state that the Department has debarred nine corporations found guilty of DBE front activities from participating in Federally funded contracts for a period of 1-1/2 years. Who established the terms of the debarments?

ANSWER: FHWA determines the terms of the debarments.

SENATOR LAUTENBERG: Why weren't those found guilty of violating the law permanently debarred?

ANSWER: The regulations for suspensions and debarments of participants in DOT financial assistance programs provide generally for up to 3 years for any initial debarment action. However, a longer or indefinite period of debarment may be imposed under special circumstances. In the cases referred to above, the FHWA did not consider imposition of maximum or indefinite debarments for the convicted companies.

SENATOR LAUTENBERG: Identify for the record each of the nine guilty corporations and show the period of debarment for each.

ANSWER:

DBE Firm	Debarment Period
1. Broce Construction Co. of New Mexico, Inc.	6 months
2. Inter-West, Limited	3 months

3.	KNC, Inc.	9 months
4.	Moore & Coward Contractors, Inc.	3 months
5.	Abeyta Construction Company	12 months
6.	Coyote Supply Company, Inc.	18 months
7.	Gates Construction Company, Inc.	3 months
8.	J-H Supply Company, Inc.	3 months
9.	Cook Construction Company	9 months

SENATOR LAUTENBERG: You state that a certified minority business enterprise firm was a false-front for a prime contractor who bid on an UMTA-funded WMATA contract. Identify both the minority business enterprise and the prime contractor involved in this scheme.

ANSWER: Prime contractor: Saturn Construction Company, Greenbelt, Maryland
Minority business enterprise: L&R Mechanical Corporation, Greenbelt, Maryland

Pilots Computer Match

SENATOR LAUTENBERG: You state that you are conducting a computer match project to identify pilots who have been convicted of alcohol or drug violations but did not report same to the FAA as required. Why isn't FAA conducting the computer match?

ANSWER: The computer match project to identify pilots who failed to report alcohol- or drug-related convictions to the FAA began as an OIG audit project. The audit was conducted to determine if any pilots had failed to disclose convictions which appeared on the National Driver's Register (NDR) maintained by NHTSA. The auditors found that over 10,000 pilots listed with a conviction on the NDR had failed to disclose this information when applying for FAA medical certification or recertification. The identities of these pilots were not determined, as the release of that information was restricted by the statute that authorizes the NDR. The auditors also found that since FAA was not allowed access to the NDR, FAA had no means of using this data. Based upon the recommendations contained in the audit, the Department requested and FAA has been granted legislative relief for access to the NDR. The OIG was not allowed access by this later legislation.

The audit findings raised a significant question concerning aviation safety since so many pilots were found to have omitted this crucial information on an FAA form. Because such omission constituted a false statement by these airmen, and since this project was an OIG initiative, it was determined to be most appropriate for the OIG investigations staff to conduct an appropriate computer match to identify the specific pilots who had falsified their applications for medical certification.

This project involves matching FAA medical certification records with FBI criminal history files. These files are not available to the FAA for regulatory action, and the FAA does not have the jurisdiction to refer the criminal cases to DOJ.

While the FAA may not have conducted the computer match, it is actively involved in the followup results of the match. As soon as an individual pilot match indicating a falsified medical certificate is identified by the OIG, it is referred to the FAA for consideration for enforcement action. This referral parallels a referral to our field elements for investigative

followup and submission to DOJ attorneys for prosecutive consideration. We believe this parallel system of referral is the most comprehensive approach for both prosecutive and administrative enforcement actions by the Government.

FAA Travel Expenses

SENATOR LAUTENBERG: You state on page 28 of your justification that an "audit inquiry" disclosed that certain FAA employees were circumventing administrative controls on travel and the incurrence of travel expenses. As a result you made several recommendations to FAA. What corrective actions have been taken by FAA in response to your recommendations?

ANSWER: FAA issued a notice to all contracting and administrative personnel on March 31, 1987, as recommended by the OIG audit report. A memorandum from the supervisor of the FAA employees involved in this matter is on file indicating that discussions were held with those employees on the requirement to follow correct procedures.

A minor clarification should be made concerning the circumstances of this matter. The FAA had contracted with an element of the General Services Administration (GSA) for computer support. A training session for FAA employees, to be conducted by GSA instructors, was endangered because of budgetary restrictions in place at that time on FAA administrative and training related travel. To ensure that the training was conducted, GSA and the affected FAA employees agreed that GSA would pay for the FAA travel expenses and then charge the costs back to the interagency contract. Although all subsequent travel was conducted in accordance with established Government travel allowances, in this instance, the OIG believed that charging travel expenses to the interagency contract was an inappropriate circumvention of correct travel authorizations and procedures. OIG also believed that this travel constituted an inappropriate charge to the GSA-FAA contract.

Metropolitan Planning Organizations

SENATOR LAUTENBERG: You state on page 26 of your justification that two investigations were conducted of MPOs resulting in successful prosecutions. Identify for the record the MPOs involved and the nature of their illegal activities.

ANSWER: The first metropolitan planning organization (MPO) we investigated was the Houston-Galveston Area Council (H-GAC), where five employees in the financial department were identified as having set up fictitious companies which were used to embezzle approximately $1.5 million from H-GAC. The bogus companies were listed as vendors of H-GAC and used to siphon off payments for services never rendered. In addition to this scheme, employees were making fraudulent purchases on H-GAC charge cards as well as charging unauthorized travel and entertainment expenses to H-GAC funds.

The second MPO investigated was the Kentuckiana Regional Planning and Development Agency (KIPDA). Its executive director, former controller, and director of operations were indicted and subsequently convicted on charges relating to the embezzlement or

misappropriation of some $150,000 in KIPDA funds. Again, the embezzlements were primarily carried out by the use of fictitious vendors and subsequent payout for services never rendered. An outside auditor, working for KIPDA under contract, was also involved in the scheme and helped cover up the embezzlements in return for continuing annual contracts. The fraud also entailed the issuance of improper KIPDA pay checks and payment of exhorbitant prices for goods and services provided by friends and relatives.

Transit Authority Investigations

SENATOR LAUTENBERG: Identify for the record those transit authorities that are being prosecuted for various illegal activities and the nature of charges. What weaknesses in DOT management have allowed these alleged violations to occur?

ANSWER: Currently, we have no transit authorities per se under investigation. However, we do have employees of two separate authorities who are being investigated for individual criminal activities.

The most notable of these is the Chicago Transit Authority (CTA), where we, in conjunction with the Federal Bureau of Investigation and the Internal Revenue Service, are investigating fraud and corruption on the part of various CTA officials, employees, and vendors. To date, eight persons and one corporation have been indicted on charges relating to the vendor's false claims and subsequent bribery of CTA officials, perjury, mail fraud, and Federal tax violations. Three of the persons indicted include a CTA board member and two CTA employees. The vendor had fraudulently obtained $624,000 from CTA and paid $39,000 in bribes to the CTA official and employees. Other investigations of CTA related activities are in progress, but criminal charges are not apparent at this time.

The other investigation involves the finance director of the Gary, Indiana, Public Transit Authority, who had diverted some $22,000 in insurance refunds for his personal use and issued himself two extra paychecks totaling $1700. The case has been accepted for prosecution, and the employee has been fired by the transit authority.

Although not a transit authority, it may be worth noting an investigation we are completing of the St. Bernard Bus Company (SBBC), Chalmette, Louisiana. SBBC is a private company contracted to operate as part of the St. Bernard Parish Transit System. The SBBC general manager pled guilty to 2 counts of a 33-count indictment for underreporting of fares and overbilling for services either not performed or ineligible for subsidy by UMTA. The indictment charged false claims of more than $60,000, diversion of over $5,000 from fares, and several counts of mail and wire fraud.

Other investigations we have initiated into the activities of transit authorities in Oklahoma and Louisiana are still in preliminary stages at this time.

The investigations discussed above involve entities which are grantees or subgrantees in DOT programs. We have not identified any systemic weaknesses in the DOT management that allowed the criminal violations to occur.

St. Lawrence Seaway Development Corporation

Questions Submitted by Senator Lautenberg

CORPORATION FINANCING STATUS

SENATOR LAUTENBERG: The Corporation's present position is a reversal of its previous position which was support of being on appropriated account funded from the Harbor Maintenance Trust Fund. Why the change of mind? Why did you originally support being an appropriated activity?

ANSWER: The Saint Lawrence Seaway Development Corporation has never supported being funded from an appropriated account out of the Harbor Maintenance Trust Fund. In fact, we have continuously supported legislation returning us to a toll retention status.

SENATOR LAUTENBERG: Legislation has been proposed to return the Corporation to direct revenue financing in fiscal year 1989. Why?

ANSWER: Legislation has been proposed by the Administration returning the Corporation to direct revenue financing in Fiscal Year 1989 because it believes it is the most efficient and effective way to manage the Corporation.

SENATOR LAUTENBERG: What are the problems with being a directly appropriated activity?

ANSWER: The problems with being a directly appropriated corporation are as follows:

1. The Corporation loses "leverage" in negotiating with the Canadians in setting toll levels. The Seaway is a bi-national operation which has been a model of international cooperation. The Corporation's current appropriated status raises questions as to the validity of the United States' 1959 toll agreement with Canada. It could jeopardize our bilateral working relationship and have serious implications on shippers.
2. The Corporation loses the ability to deposit retained earnings in a reserve fund, which finances emergency repairs and capital improvements.
3. The Corporation loses a built-in incentive to promote trade and traffic in order to generate additional toll receipts.
4. The Corporation cannot depend on a dedicated and secure cash flow. If the Corporation continues on an appropriated basis, it will be subject to across-the-board reductions required in the deficit reduction process. These could result in some deferral of capital improvements and maintenance.
5. Toll financing would provide additional incentive to our operating efficiently and thus lessen the possibility that we would require additional operating funds from Congress.
6. Toll financing would also provide an additional important incentive, to increase cargo traffic.

SENATOR LAUTENBERG: What is the status of the proposed legislation?

ANSWER: The proposed legislation is before Congress. The matter is currently being considered by the House Subcommittee on Water Resources.

SENATOR LAUTENBERG: Will the Corporation be in position to carry out necessary rehabilitation and maintenance work on the locks if it returns to toll financing? Please elaborate.

ANSWER: The Corporation would certainly be able to carry out necessary maintenance work on the locks if toll financing was returned.

Since we became an appropriated Corporation, we have had to reduce our retained earnings by $2 million. We would not be able to finance rehabilitation of both locks. We would, however, be able to assist a rehabilitation program from our reserve account and with our bonding authority.

Had we remained toll financed, we could have accomplished the necessary rehabilitation over a period of years.

SENATOR LAUTENBERG: Have tolls been sufficient to carry out lock repair? Please elaborate.

ANSWER: Yes. All capital improvements, lock repairs and maintenance have been funded through annual revenues. In FY 1987, however, Congress appropriated an unrequested $2,000,000 to finance an extraordinary concrete repair project.

SENATOR LAUTENBERG: In view of the fact that Congress hasn't acted on the Department's efforts to achieve a return to toll financing, why have you again made this request in the budget proposal?

ANSWER: The Administration has made this request once again, because it believes it is the most efficient and effective way to manage the Corporation.

The request is in the budget proposal because discussions with Senate staff from both the Finance and Environment and Public Works Committees, lead us to believe jurisdiction may not lie there.

SENATOR LAUTENBERG: What are you doing with Congress to return to toll financing?

ANSWER: As stated earlier, the proposed Legislation is before Congress. The matter is currently being considered by the House Subcommittee on Water Resources.

LOCK REHABILITATION

SENATOR LAUTENBERG: The Corps of Engineers has testified that the St. Lawrence Seaway locks do not require structural strengthening. An engineering firm hired by the Corporation said the locks do need this work. Given this disagreement, what are the Department's plans for rehabilitating the locks?

ANSWER: The Department has no plans for lock rehabilitation at this time, based on an official assessment by the Corps of Engineers that the locks are stable and do not require major rehabilitation.

SENATOR LAUTENBERG: Are the Corporation and the Department in agreement on how to proceed on lock rehabilitation? If not, what are the differences?

ANSWER: Yes.

SENATOR LAUTENBERG: Why hasn't the Department requested funds for fiscal year 1989 lock rehabilitation?

ANSWER: Should the Corps, based on further review, revise its current position and recommend rehabilitation, the Department would reconsider its position and take appropriate action.

SENATOR LAUTENBERG: Did the Corporation request these funds from the Secretary and the Secretary from OMB? If not, why not? If so, what happened to that request?

ANSWER: The Corporation and Secretary requested such funds. OMB deleted the request based on the Corps of Engineers finding that lock rehabilitation is unnecessary. The Department and OMB agree that a decision to rehabilitate the locks should be contingent on a Corps of Engineers determination.

SENATOR LAUTENBERG: What rehabilitation work was performed during the 1987-1988 winter shut-down? How much did this work cost?

ANSWER: The rehabilitation work performed during the 1987-1988 winter shut-down consisted of gate jacking, valve guide modification, electrical upgrading, crossunder stairway repair and painting, concrete coring and testing, piezometer data collection and stability analyses, rock coring and rock shear testing, and topographic study of lock bottom. The cost of this work totalled $387,987.

EXPENSES

SENATOR LAUTENBERG: Administrative expenses requested for fiscal year 1989 are almost 6 percent over the 1988 level, after a 12 percent increase in the 1988 over 1987 level. Why?

ANSWER: We have reassigned some people to the administrative section, primarily in the field of computerization, along with the hiring of a new computer programmer.

The Pay Act, personnel benefits and the computer positions account for the 6 percent increase.

SENATOR LAUTENBERG: The request for the full-time permanent compensation increases by 23 percent after a 16 percent increase the year before. Why? Please break out the costs.

ANSWER: The 1989 request includes a combined total of administrative expenses and other operation and maintenance object classifications whereas the 1987 and 1988 columns include only other operations and maintenance. As a result, on a comparable basis, there is a reduction of 6% from 1988 to 1989. Also, the increase is only 4% from 1987 to 1989.

SENATOR LAUTENBERG: What are the other than full-time permanent compensation payments?

ANSWER: These payments are for compensation to full-time temporary employees.

SENATOR LAUTENBERG: "Other than full-time compensation" increased 38 percent from 1987 to 1988. Why?

ANSWER: The increase represents temporary laborers for special maintenance projects such as gate jacking, valve guide modification, scrape and paint lock crossunder.

SENATOR LAUTENBERG: "Other" personnel compensation increased 60 percent from 1987 to 1988 and the fiscal year 1989 request is for an additional 38 percent. Why?

ANSWER: The increase represents additional premium pay, night differential, and overtime for special maintenance projects. Overtime increased because permanent positions were reduced and the Corporation used overtime rather than hiring temporary employees.

SENATOR LAUTENBERG: Detail how the travel and transportation budget of $140,000 is to be spent.

ANSWER:

Maintenance of Navigation Aids & Operations	$ 30,000
Marketing & Trade Mission	75,000
Training	20,000
Relocation	10,000
Engineering	5,000
	$140,000

SENATOR LAUTENBERG: Why do travel and transportation expenses increase by 94 percent over the 1988 level? Detail how the additional funds are to be spent.

ANSWER: Administrative expenses and other operations and maintenance object classifications are separate in 1988 and are combined in the 1989 column. The actual increase is 7% for increases in air fares.

SENATOR LAUTENBERG: Why are the rental payments to GSA more than doubling between fiscal year 1988 and fiscal year 1989?

ANSWER: The 1989 object classification reflects total of administrative expenses and other operations and maintenance and the 1988 column includes only other operations & maintenance. As a result the increase is 9% as mandated by GSA. There is no increase in space rented.

SENATOR LAUTENBERG: Detail why communications, utilities and other charges are expected to increase by 36 percent over the 1988 level.

ANSWER: The actual increase is 3%, not 36% due to the combined administrative expenses and other operations and maintenance object classifications, in 1989. The 1988 column includes only other operation and maintenance.

SENATOR LAUTENBERG: List the equipment purchases requested for fiscal year 1989.

ANSWER: 1989 Planned Equipment Purchases:

Office Equipment	$ 10,000
Computer Equipment	50,000
Safety Equipment	5,000
Engineering Equipment	46,000
Replace Small Tools & Equipment	20,000
Replace Air Compressors	60,000
Replace Lock Wall Vehicles (ATV)	4,000

Replace Main Engine on Tug Robinson Bay	465,000
Replace SLS-13, Bucket Truck W/Outriggers	35,000
Total	$695,000

SENATOR LAUTENBERG: List the lands and structure expenses requested for fiscal year 1989.

ANSWER: Fiscal Year 1989 Lands and Structure Expenses:

Replace Hatch Covers	$ 50,000
Install Miter Gate Jacking Devise	50,000
Navigation Aids, Improvements/Modifications	80,000
Improvements to Paving & Parking Lots	70,000
Miscellaneous Engineering Services	30,000
Replace Remote Radio Stations	100,000
VTC Computerized Vessel Status Display System	50,000
Replace VTC Radio Consoles	125,000
Replace Fender Boom #2 to Accomodate Maximum Ship	50,000
Dredging near Approach Channels & Both Locks	1,000,000
Total	$1,805,000

PERSONNEL

SENATOR LAUTENBERG: How many personnel have converted from schedule "C" positions to Senior Executive Status in fiscal years 1985, 1986, 1987, and 1988?

ANSWER: None.

SENATOR LAUTENBERG: List the individuals, date of conversion and length of government service prior to entering the SES.

ANSWER: Not applicable.

SENATOR LAUTENBERG: How many SES positions are open at the Corporation? Have they been advertised? When will they be filled?

ANSWER: None.

SENATOR LAUTENBERG: How many SES and "C" schedule positions are authorized for the Corporation?

ANSWER: The Corporation has two SES positions and five "C" schedule positions.

SENATOR LAUTENBERG: List the positions with salary levels of all the positions occupied by "C" schedule or SES personnel.

ANSWER: Associate Administrator for Management & Productivity, ES-5, ("C")
Chief Counsel, ES-4
Special Assistant to the Administrator, GM-15 ("C")
Special Assistant for Marketing, GM-14 ("C")
Special Assistant for Intergovernmental Relations, GM-14 ("C")
Confidential Assistant to Administrator and Advisory Board Liaison, GM-13 ("C")

SENATOR LAUTENBERG: The number of full-time permanent positions increases almost 19 percent (155 versus 184) over the 1988 level. Why?

ANSWER: The number actually decreases from 192 to 184 as the administrative expenses number of 37 must be added to the 155 column for other operation and maintenance in the 1988 column. The 1989 figure of 184 is a total of both. There is actually a reduction of eight positions.

SENATOR LAUTENBERG: Describe the duties and responsibilities of these additional personnel and how they will add to the Corporation's mission.

ANSWER: Rather than additional personnel positions, there are 8 less in 1989.

FINANCIAL MANAGEMENT SERVICES (FMS)

Caveat: The Corporation does not have any jurisdiction over the FMS. The Department of Treasury handles all aspects of the FMS. (Fiscal and Personnel). The following answers were prepared and submitted by the Department of Treasury.

SENATOR LAUTENBERG: List the breakdown by grade with brief job description of the ten personnel requested for the toll rebate program.

ANSWER: The personnel assigned to the St. Lawrence Seaway Toll Rebate Program and the Harbor Maintenance Trust Fund are: one GS-3, one GS-4, two GS-11's, and one GS-12. FMS has determined that only five FTEs are necessary to administer this program and had revised the FY 1990 budget request accordingly. The personnel are responsible for the following duties:

- Promptly authorizing and making toll rebate payments;
- Maintaining the over $100 million Harbor Maintenance Trust Fund, including developing and maintaining general ledger accounts, recording receipt and disbursement information, and interacting with the Saint Lawrence Seaway Development Corporation to resolve data discrepancies;
- Managing the investment activity for both transferring receipts awaiting disbursement and the Harbor Maintenance Trust Fund;
- Developing all reports required by law and regulation and in response to ad hoc requests; providing estimates of program activity for budget and finance estimates.
- Maintaining liaison with the Internal Revenue Service, the Customs Service, the Saint Lawrence Seaway Development Corporation, the Corps of Engineers, and Treasury's Office of Tax Analysis to resolve policy or management issues; and
- Justifying and monitoring the appropriation using execution and formulation budget methods.

SENATOR LAUTENBERG: Administrative expenses for this activity increased from $33,000 in fiscal year 1988 to $139,000 in the request for fiscal year 1989. Why? Break out the objects that make up this request compared to the 1988 level.

ANSWER:

- $25,000 is for contractor services to perform an audit of the St. Lawrence Seaway Toll Rebate Program.

- o $25,000 is estimated to determine and implement the most efficient method for transmission of rebate information between the FMS and the Saint Lawrence Seaway Development Corporation.
- o The remaining $56,000 is for contractor services to supplement the 5 funded FTEs if FMS' estimate of personnel necessary for this program was incorrect. FMS was responsible for the St. Lawrence Seaway Toll Rebate Program for only 3 months in FY 1987 and at the time the budget was prepared did not have an accurate estimate of the resources that would be required for effective administration.

SENATOR LAUTENBERG: How much in tolls was collected in fiscal year 1988 and how much was rebated?

ANSWER:

- o The Saint Lawrence Seaway Development Corporation collected and deposited in the Harbor Maintenance Trust Fund $4,643,003.15 in toll receipts during FY 1987. The Department of Treasury rebated $3,997,792.35 in tolls as certified by the Saint Lawrence Seaway Development Corporation. As of March 31, 1988, $4,923,506.93 has been collected and deposited in the Harbor Maintenance Trust Fund and $5,542,770.80 has been certified and rebated.

SENATOR LAUTENBERG: What happens if the amount appropriated for this account is less than the amount of tolls collected? Are the tolls fully rebated? From where would additional funding be derived?

ANSWER:

- o If the amount appropriated for this account is less than the tolls collected the Financial Management Service would have to request a supplemental appropriation. The tolls collected by the Saint Lawrence Seaway Development Corporation are fully rebated.

SENATOR LAUTENBERG: The toll rebate request for fiscal year 1989 is $805,000 above fiscal year 1988 -- an 8.4 percent increase. How was this figure derived, and what factors suggest a higher rebate level?

ANSWER:

- o The FY 1988 budget authority for the St. Lawrence Seaway Toll Rebate Program was $10,800,000, based on estimates of activity developed by the Saint Lawrence Seaway Development Corporation. This amount was reduced to $9,880,000 due to sequestration under the Gramm-Rudman-Hollings II legislation and the Legislative and Executive Branches' budget compromise. The $805,000 increase in toll rebates for FY 1989 is to restore the rebate amounts impacted by the sequestration to the FY 1989 level of revenues estimated by the Saint Lawrence Seaway Development Corporation.

SENATOR LAUTENBERG: Ten full-time positions are authorized for fiscal year 1988. What is the expected full-time equivalent for fiscal year 1988?

ANSWER:

- Based on a review of the administrative responsibilities for this account and experience to date, the Financial Management Service has determined that only five FTEs are required for this program and expects to use only five in FY 1988.

SENATOR LAUTENBERG: How many people are now employed in the program?

ANSWER:

- Five people are now assigned to the St. Lawrence Seaway Toll Rebate Program.

TRADE MISSION

SENATOR LAUTENBERG: How much did the Corporation pay for the trade mission in fiscal year 1986, 1987, and 1988?

For each year, break down how the costs were incurred (page 886, Senate Hearing 100-354, part 1). In what line item(s) are trade mission costs located?

ANSWER: Trade Mission Costs

	1988 Preliminary	1987 Actual	1986 Actual
Reimbursement to U.S. Dept. of Commerce	$86,438	$62,681	$35,218
Brochures	15,448	15,797	4,145
Shipping/Mail Costs	7,938	9,980	756
Travel and other mission costs	46,694	32,953	24,835
Airfares	43,833	23,973	36,716
Miscellaneous	19,202	18,070	5,140
Cost Reimbursements from participants	(62,571)	(57,000)	(52,352)
SUBTOTAL	156,982	106,454	54,458
SLSA Expenses	0	52,115	0
TOTAL	156,982	158,569	54,458
SLSDC Share	$156,982	$79,284	$58,458

The line items in which trade mission costs are located include, travel and transportation of persons, other services, supplies and materials.

SENATOR LAUTENBERG: List the names of Seaway personnel that made the trade mission trips in 1988 and 1987, and the amount of travel and other costs associated with each.

ANSWER:

1988		1987	
J. L. Emery	$5,799	J. L. Emery	$3,308
A. K. Blackman	5,711	R. J. Lewis	3,071
D. E. Deuschl	3,575	H. Brohl	4,586

SENATOR LAUTENBERG: Why didn't the St. Lawrence Seaway Authority of Canada participate in the 1988 trade mission?

ANSWER: The Canadian Seaway Authority was a co-sponsor of the first and third trade missions, but not of the second and fourth. However, on each of them, we have had significant participation from the Canadian side. We did have 5 participants out of the 25 this year. The Canadians wanted to spend more time on promotion of grains from the prairie provinces of Canada. They wanted to devote their marketing efforts this year to enhancement of that product.

SENATOR LAUTENBERG: What cities were visited on the 1988 Trade Mission?

ANSWER: Hamburg and Bremen, West Germany
Rotterdam, Netherlands
Milan, Italy
Alexandria and Cairo, Egypt
Algiers, Algeria

SENATOR LAUTENBERG: How were these cities chosen?

ANSWER: Selection of trade mission cities is based on analysis of "Port Import Export Reporting Service" (PIERS) data and Seaway statistics. These data systems provide quantitative data on patterns and trends. The data is supplemented by discussions with U.S. State Department, Department of Commerce, and USDA officials.

SENATOR LAUTENBERG: During last year's hearing Administrator Emery said that he would "like to get some hard data" regarding trade mission success. None was provided at that time; what can be provided this year?

ANSWER: Individual trade mission participants consider mission achievement proprietary to their individual port - since they are in competition with each other. For that reason, we have been unable to obtain hard data on mission success.

Our role in the trade mission program is to establish a forum for industry with the following goals and objectives:

- Personal contact with current and potential system users.
- Targeting of specific commodity and service interests.
- A mutual exchange of information about the Seaway System.
- Establishment of a mechanism for follow-up activities such as reciprocal overseas visits to the Seaway.
- Enhancing the Seaway presence with overseas maritime interests.
- Experience for planning additional marketing and trade mission projects.

Participant Feedback

Upon returning from the mission, participants were asked to respond to a trip evaluation questionaire. When asked why they chose to participate, of those who responded to date, the range of answers included: to procure business; to build contacts; to educate myself; to educate others; and to continue development of esprit de corps among Lakes interests.

In response to the question--"Please describe any results generated by your participation on the mission," answers received from port representatives included:

The following comments were made by port representatives:

...two foreign delegations from the Netherlands and Algeria may now visit our port; we will be doing more business with Alexandria for logs, Netherlands for spudemene and Algeria for grain, lumber and perhaps coal.
...learned about other port operations.
...a number of heavy lift projects were discussed with several interested vessel operators.
...negotiations were concluded with Dutch steel producers for using this port.
...missions have increased their value each year.
...several new leads regarding exports of grain and grain products, forest products and western coal. New ship service possibility regarding auto imports.
...completed negotiations regarding sister city port arrangements between Duluth and Algiers.
...the main thing is to keep pounding away, together, wherever there's a glimmer of business potential.

The following comments, were made by industry representatives:

...the benefits of this year's trip should become clear in early summer as we expect to obtain some business from an importer in Rotterdam who will be doing a few vessels in the Seaway.
...Contacts were made at the functions which otherwise would have required the Administrator to stay in one location three to four days to cover the same number of companies.
...more heavy lift project cargoes were obtained for Cleveland, Detroit and Burns Harbor via special geared vessels.
...It is too early to be certain, but hope that new tonnage in Italy will be fixed.
...in all our missions we have been breaking new ground as well as seeing old friends, but the highlight of 1988 for me had to be Algiers. We are certainly seeing a lot of export activity to that country for 1988, and there is obvious potential for inbound cargoes such as steel.
...as one market closes we must open others. North Africa is a natural for the Seaway.

SENATOR LAUTENBERG: List the names and organizations of the 1988 Trade Mission participants not directly employed by the Corporation but for whom the Corporation paid for some or all of their expenses associated with the trip.

ANSWER: None.

Each full participant reimbursed the Seaway Corporation $4,000. Total participant reimbursement was $62,571. Participant reimbursement is applied to travel, lodging, and program costs.

The 1988 Trade Mission participant list is as follows:

BURNS INTERNATIONAL HARBOR
James H. Hartung, Port Director
CANADA STEAMSHIP LINES, INC.
Scott P. Jones, Manager of Marketing

CERES TERMINALS, INC.
Kaare Eileraas, Vice President
CLEVELAND-CUYAHOGA COUNTY
PORT AUTHORITY
RAdm Anthony Fugaro, Executive Director
CLEVELAND STEVEDORE COMPANY/PACIFIC GREAT
LAKES TRANSPORTATION
Kenneth P. Loeri, Senior Vice President
ERIE-WESTERN PENNSYLVANIA
PORT AUTHORITY
Joseph G. Rosenthal, General Manager
FEDCOM
William E. Gard, Vice President - Marketing
FEDNAV EUROPE, LTD.
Albert W. Thies, Vice President
ILLINOIS INTERNATIONAL PORT/CHICAGO
Helen A. Brohl, Director of Marketing
INTERNATIONAL GREAT LAKES
SHIPPING COMPANY
Werner J.K. Burchard, Vice President - Operations
INTERNATIONAL LONGSHOREMEN'S ASSOCIATION
John D. Baker, President, Great Lakes District
MEEHAN SEAWAY SERVICE, LTD.
Daniel E. Meehan, President
PORT OF MILWAUKEE
Kenneth J. Szallai, Municipal Port Director
PORT OF OSWEGO AUTHORITY
John E. Fitzgibbons, Executive Director
QUAST AND COMPANY, INC.
Karl and Baerbel Quast, Chairman of the Board
and Vice President
ROBERT REFORD COMPANY
Ross Kennedy, Executive Vice President
SEAWAY PORT AUTHORITY OF DULUTH
Davis Helberg, Executive Director
STATE OF ILLINOIS
Lt. Governor George H. Ryan
THUNDER BAY HARBOUR COMMISSION
James E. Hill, Manager, Port Development
TOLEDO - LUCAS COUNTY PORT AUTHORITY
John M. Loftus, Deputy Seaport Director
U.S. GREAT LAKES SHIPPING ASSOCIATION
Samuel Schiphorst, President
WESTLAKE HARBOR TERMINAL
Warren A. Jackman, President

RETAINED EARNINGS

SENATOR LAUTENBERG: What was the balance remaining in retained earnings on December 31, 1987?
ANSWER: $10,000,000

SENATOR LAUTENBERG: Was this amount affected by the Water Resources Development Act? If so, how?

ANSWER: Yes. During the period April 1, 1987 through September 30, 1987, the Corporation was forced to use $2 million of its Financial Reserve for normal operations and maintenance. The Corporation, which lost access to tolls effective April 1, 1987, requested a 1987 supplemental appropriation of $6 million but the Congress reduced the appropriation by $2 million requiring the use of Financial Reserves to meet normal operating expenses.

SENATOR LAUTENBERG: Are there restrictions on the use of these funds?

ANSWER: The criteria for the expenditure of such funds is set forth in the House Appropriations Subcommittee on Transportation and Related Agencies Report #100-202 accompanying HR 2890 (1987) wherein it is stated that the Corporation may use the aforementioned funds "...to finance the costs associated with unanticipated events which could threaten the safe and uninterrupted use of the Seaway."

SENATOR LAUTENBERG: What have been the draw downs from this account in 1986, 1987, and to date in 1988? (List activity, description and amount of funds used.)

ANSWER:

1986	Lock Rehabilitation	$2,000,000
1987	Operating Expenses	$2,000,000
1988	None	

REVENUES

SENATOR LAUTENBERG: Update the revenue and commodity estimates found on page 890 of Senate Hearing 100-354, part 1.

ANSWER:

	FY 1987 actual	FY 1988 estimate	FY 1989 estimate
	($ and tons in millions)		
GRAIN	19.00	18.54	18.83
IRON ORE	8.95	9.85	10.09
COAL	0.33	0.23	0.24
OTHER BULK	7.70	7.65	7.75
GOV'T AID	0.18	0.20	0.20
GENERAL	4.18	4.08	4.14
TOTAL TONS	40.34	40.56	41.24
TOLL REVENUE	$9.67	$10.59	$10.76
TOTAL REVENUE	$10.47	$11.39	$11.56

SENATOR LAUTENBERG: Update the chart on page 891 of Senate Hearing 100-354, part 1 on calendar year tonnage and tolls.

ANSWER:

CALENDAR YEAR TONNAGE
(millions of tons and dollars)

	ACTUAL				ESTIMATED	
	1984	1985	1986	1987	1989	1990
GRAIN	23.50	16.37	16.35	18.32	18.69	18.93
COAL	0.45	0.61	0.61	0.23	0.23	0.24
IRON ORE	11.42	8.68	8.03	9.56	10.00	10.13
GENERAL	4.94	4.05	4.01	4.05	4.10	4.16

ALL OTHER	7.19	7.61	8.58	7.80	7.89	7.98
TOTAL	47.50	37.32	37.58	39.96	40.91	41.44
TOLLS REV	$11.97	$9.01	$9.15	$9.53	$10.67	$10.81

SENATOR LAUTENBERG: What are the projected revenues (toll and other) for fiscal year 1989-1993?

ANSWER:

ESTIMATED REVENUES FY89 thru FY93
(millions of $)

	TOLLS	OTHER	TOTAL
FY89	$10.76	$0.80	$11.56
FY90	$10.90	$1.00	$11.90
FY91	$11.04	$1.00	$12.04
FY92	$11.19	$1.00	$12.19
FY93	$11.33	$1.00	$12.33

SENATOR LAUTENBERG: What is the latest estimate of revenues (toll and other) for fiscal year 1988?

ANSWER:

Tolls	$10.59
Other	.80
Total	$11.39

COMMODITY MOVEMENTS

SENATOR LAUTENBERG: Update the commodity movement charts found on page 893 and 894 of Senate Hearings 100-354, part 1 (calendar years 1977 through 1987)

ANSWER: (The information follows:)

MONTREAL - LAKE ONTARIO SECTION
SELECTED COMMODITIES
(Cargo Tons)
1977 - 1987

	Selected Agriculture Commodities				
YEAR	WHEAT	BARLEY	CORN	SOYBEANS	RYE, OATS & FLAXSEED
1977	11,488,091	2,857,198	3,840,894	1,378,539	822,402
1978	14,050,681	2,533,010	6,454,239	2,201,723	577,779
1979	10,015,187	3,198,940	7,088,033	1,456,072	662,855
1980	13,743,536	2,075,165	6,518,482	1,295,041	1,054,730
1981	11,922,095	2,949,190	5,075,126	1,542,048	836,476
1982	13,881,092	3,204,032	3,752,675	1,047,779	682,713
1983	15,609,328	3,706,243	2,767,967	300,790	626,191
1984	15,917,622	2,397,722	2,771,791	898,514	306,987
1985	11,502,016	686,598	2,508,872	736,590	375,643
1986	11,170,735	1,911,348	1,051,170	1,189,345	507,934
1987	12,559,195	1,422,006	2,117,099	1,104,387	516,194

MONTREAL - LAKE ONTARIO SECTION
SELECTED COMMODITIES
(Cargo Tons)
1977 - 1987

Selected Mine and Manufactured Commodities						
COAL & COKE	IRON ORE	STONE, SAND & GRAVEL	SALT	FUEL OIL	MANUFACTUR IRON & STE	% OF TOTAL
2,241,973	20,205,283	127,235	783,679	2,015,026	4,972,898	93.5
3,427,038	13,542,178	122,679	746,982	1,887,976	3,588,819	83.8
2,820,401	14,817,154	404,569	833,813	2,326,932	3,107,744	85.4
1,626,942	11,005,222	217,941	782,430	1,563,431	2,084,713	84.9
2,527,798	12,926,853	65,929	1,134,948	1,838,507	2,905,186	86.5
1,834,463	7,430,414	36,264	714,901	1,002,035	2,790,012	85.0
988,212	10,280,210	55,729	878,535	936,121	2,896,137	86.7
1,246,010	11,421,521	124,294	818,931	745,378	3,552,873	84.6
1,409,374	8,679,210	259,048	657,494	558,770	3,603,221	83.0
1,477,031	8,026,080	288,157	874,520	641,156	3,548,802	81.7
888,188	9,557,376	231,658	928,559	481,049	3,614,403	83.6

REPLACEMENTS AND IMPROVEMENT PROJECTS

SENATOR LAUTENBERG: Provide a listing with associated costs of the replacement and improvement projects done in fiscal year 1987, those planned for fiscal year 1988, and those planned for fiscal year 1989.

ANSWER: Replacements and Improvement Projects

Fiscal Year 1987	
Modify Guidewall Extension	$ 58,000
Replace Hatch Covers	53,000
Video Transmission, Snell	116,000
Replace Transformer	70,000
Lock Wall Stability	297,000
Closed Circuit TV System	53,000
Improve Lock Wall Fendering System	128,000
Electrical Improvements	95,000
Renovation of Buildings	53,000
New Administration Building Design	33,000
Public Address System	26,000
Other Improvements	45,000
Total	$1,027,000
Fiscal Year 1988	
Replace Hatch Covers	$ 75,000
Lock Operating Equipment	80,000
Electrical Improvements	120,000
Replace Fendering System	50,000
Paving and Improving Parking Lots	70,000
Hydraulic Study-Copeland Cut	230,000
Convert Navigation Aids to Solar Power	25,000
Construct Chimney Island Range Light	80,000
Visibility Measurement Program	75,000
Other	30,000
Total	$ 835,000
Fiscal Year 1989	
Replace Hatch Covers	$ 50,000
Install Miter Gate Jacking Device	50,000
Navigation Aids, Improvements/Modifications	80,000
Improvements to Paving & Parking Lots	70,000
Miscellaneous Engineering Services	30,000

Replace Remote Radio Stations	100,000
VTC Computerized Vessel Status Display System	250,000
Replace VTC Radio Consoles	125,000
Replace Fender Boom#2 to Accomodate Maximum Ships	50,000
Dredging near Approach Channels & Both Locks	1,000,000
Total	$1,805,000

EQUIPMENT PURCHASES

SENATOR LAUTENBERG: Provide a listing with associated costs of the equipment purchases made in 1987, planned or made in 1988, and those planned for fiscal year 1989.

ANSWER: Equipment Purchases

1987 Equipment Purchases:	
Computer Equipment	$ 94,000
Buoy Barge	202,000
Loader, Backhoe	30,000
Sky Climbers	7,000
Hydraulic Vehicle Lift	5,000
Replace TV Cameras	161,000
Engineering Equipment	41,000
Small Tools, Safety & Office Equipment	34,000
Total	$ 574,000
1988 Planned Equipment Purchases:	
Engineering Equipment	$ 20,000
Small Tolls and Equipment	20,000
Mitre Gate Jacking Device	25,000
Spare Tainter Valve	100,000
Total	$ 165,000
1989 Planned Equipment Purchases:	
Office Equipment	$ 10,000
Computer Equipment	50,000
Safety Equipment	5,000
Engineering Equipment	46,000
Replace Small Tools & Equipment	20,000
Replace Air Compressors	60,000
Replace Lock Wall Vehicles (ATV)	4,000
Replace Main Engine on Tug Robinson Bay	465,000
Replace SLS-13, Bucket Truck W/Outriggers	35,000
Total	$ 695,000

OPERATIONS AND MAINTENANCE

SENATOR LAUTENBERG: Breakdown the operations and maintenance costs among the various activities. Provide this information for fiscal year 1987, 1988, and requested for 1989.

ANSWER:

	Fiscal Year 1987 Actual	1988 Est.	1989 Est.
	(in millions)		
Operations and Maintenance:			
Locks	$1.3	$1.4	$1.5
Marine	0.4	0.4	0.5

Maintenance and Engineering	4.4	4.8	3.6
Operating Support Service, General Expenses and Development	1.9	2.0	2.1
Replacements and Improvements	1.6	1.0	2.5
Total Operating and Maintenance	9.6	9.6	10.2
Administrative Expenses	1.8	2.0	2.1
Total Obligations	$11.4	$11.6	$12.3

TRADE AND TRAFFIC DEVELOPMENT OFFICES

SENATOR LAUTENBERG: Provide updated cost information on the trade and traffic development offices similar to that found on pages 895 and 896 of Senate Hearing 100-354, part 1.

ANSWER: Cost Associated with the Trade and Traffic Office Toledo, Ohio

	SLUC	COMMUNI-CATIONS	PERSONNEL COSTS	OTHER	TOTAL
1986	$10,232	$5,586	$81,910	$12,318	$110,046
1987	7,354	4,800	77,628	35,937	125,719
1988	7,488	2,154	65,064	21,780	96,486
1989	7,788	2,240	68,968	22,315	101,311

CAPE VINCENT FACILITY

SENATOR LAUTENBERG: Provide the costs associated with maintaining the Cape Vincent facility in fiscal years 1986, 1987, and estimated for fiscal years 1988 and 1989.

ANSWER:

1986	$7,600 Actual
1987	7,700 Actual
1988	7,000 Estimated
1989	7,100 Estimated

SENATOR LAUTENBERG: Provide the dates the facility was used for business and recreational purposes in fiscal year 1987 and to date in fiscal year 1988.

ANSWER: Business

1987

March	9, 23-24
April	14
May	6, 18, 20, 22, 23, 30
June	9, 10, 11, 18, 23
July	2, 9, 14-15, 16, 24
August	11, 13, 31
September	3, 22
November	27-30
December	1-3

1988

April	7
May	11

Recreational

1987

February	7, 14-15

March	13-14
May	15, 16, 28-31
June	12-14, 19-21, 26-28, 29-30
July	3-6, 10-11, 12-13, 18-22, 25-31
August	1, 2-8, 9-10, 14-15, 16-29
September	4-6, 11-12, 25-26
October	2-3, 16-18
November	21

1988

April	22-23, 29-30

OUTSIDE CONTRACTS

SENATOR LAUTENBERG: List of outside contracts entered into by the Corporation in fiscal years 1987 and 1988; planned for the rest of 1988 and planned in fiscal year 1989 (use the format from last year's hearing record, Senate Hearing 100-354, part 1, page 900 through 908).

ANSWER: (The information follows:)

OUTSIDE CONTRACTS & PROPOSED CONTRACTS FOR
FY '87, '88 & '89

FY '87

CONTRACT # DTSL55-	CONTRACTOR	AMOUNT	DESCRIPTION
86-C-C0660	Aluminum Company of America Massena, NY	Est. $43,450	Provide all services & the use of the Contractor's 370/138 computer system & equipment for a 1-year period beginning Nov. 12, 1986 & terminating Nov. 11, 1987.
86-C-C0851	BRENTEC, INC. O'Fallon, MO	$196,713	Furnish and/or deliver all personnel, services, equipment (except Corporation furnished property) & material necessary to install & test a new closed circuit television system for the operation of the Eisenhower & Snell Lock facilities & the two security areas at Maintenance & Snug Harbor.
86-C-C0904	Acme Fishing Tool Co. Parkersburg, WV	$19,449	Furnish & Deliver 8 bushings, 2 sleeve nuts, 2 gate end castings, 2 spring housings, 4 gate strut pins & 3 thrust washers (Lock Spare Parts).
86-C-C0913	Reliance Steel Products Co. Middletown, PA	$32,240	Furnish & deliver 12 pcs. concrete-half filled steel bridge flooring.
86-C-C0927	The Great Lakes Towing Co. Cleveland, OH	$37,000	Services to tow Corporation-owned Hopper Barges from Chicago, IL to Buffalo, NY.

CONTRACT # DTSL55-	CONTRACTOR	AMOUNT	DESCRIPTION
86-C-C0991	Wilson's Hvy. Equip.,Inc. Plattsburgh, NY	$29,235	Furnish & deliver 1, 1987 John Deere wheeled loader/backhoe combination.
87-C-C0001	Tropical Marine Tmbrs.Ltd. Ottawa, Ontario, Canada	U.S. Funds $118,495	Furnish & deliver 467 EKKI timbers, 10 ft. lengths.
8-87-C-C0053	Barry, Bette & Led Duke,Inc. Watertown, NY	NTE $1,850,175	Remove deteriorated concrete & replace with steel reinforced concrete, core drill in specified areas, apply sealer to lock wall concrete & remove spoil concrete rubble & river bottom materials from lock chamber, Eisenhower Lock, Massena, NY.
87-C-C0064	Julain LaCourse Massena, NY	NTE $45,000	Perform straight conversion of SLSDC's computer programs from ALCOA's 370/180 Computer to SLSDC's System 36.
87-C-C0086	Joseph E. Moore Waddington, NY	$18,900	Perform security & speed surveillance services for SLSDC.
87-C-C0123	Atlantic Testing Lab., Ltd. Canton, NY	NTE $115,000	Perform construction management & materials engineering services for concrete rehabilitation at Eisenhower Lock, Massena, NY.
87-C-C0207	Shelly Electric, Inc. Potsdam, NY	$25,589	Furnish & deliver miscellaneous electrical materials/equipment.
87-C-C0575	Enerpac Group Applied Power, Inc. Butler, WI	$23,826	Furnish & deliver Hydraulic Jacking Equipment consisting of Cylinders, Pumps, Valves, Guages, Hose & misc. fittings.

CONTRACT # DTSL55-	CONTRACTOR	AMOUNT	DESCRIPTION
87-C-C0623	Morse Rubber Products Co. Keokuk, IA	$40,600	Furnish & deliver 70 wing type marine dock fenders.
87-C-C0624	Solidur Plastics Co. Pittsburgh, PA	$15,592	Furnish & deliver 70 pieces of Ultra High Molecular Weight Polyethelene.
87-C-C0625	Law Brothers Contrg. Corp. Lyons Falls, NY	Lump Sum $78,900	Remove existing fendering, fill in/bridge over existing recesses, & assemble & install Corporation-furnished composite fenders on downstream approach wall at Snell Lock, Massena, NY.
87-C-C0676	Adirondack Asphalt, Inc. Canton, NY	Lump Sum $24,495	Clean and apply a single course bituminous surface treatment to designated SLSDC's roadways.
87-C-C0766	The Journal of Commerce New York, NY	$ 36,837	Provide subscription furnishing on-line access to PIERS (Port Import/Export Reporting Service), computer data for 1987.
		FY '88	
88-C-C1039	Goodfellow, Inc. Montreal, Quebec, Canada	U.S. FUNDS $197,315	Furnish & deliver 840 EKKI timbers, 10 ft. lengths.
88-C-C1068	GrimmerSchmidt Corp. Franklin, IN	$57,380	Furnish & deliver 2, 1988 GrimmerSchmidt Model 800D Air Compressor.

PROPOSED CONTRACTS FOR BALANCE OF FY '88

IFB #DTSL55-88-B-C1268 issued 5/2/88 with bid opening 6/2/88 to excavate trenches; to install conduits, manholes and lamp standard bases; pull conductors; and perform all related items to construct raceway along Guidewall at Eisenhower and Snell Locks, Massena, St. Lawrence County, NY. Estimated Cost $350,000.

Extend docking facilities at SLSDC's Marine Base, Massena, St. Lawrence County, NY, Estimated Cost $590,000.

Resurfacing of existing SLSDC service roads, Massena, St. Lawrence County, NY, Estimated Cost $25,000.

Replace underground fuel storage tanks, Massena, St. Lawrence County, NY, Estimated Cost $50,000.

PROPOSED CONTRACTS FOR FY '89

Construction of Rear Range Light at Chimney Island, Ogdensburg, St. Lawrence County, NY, Estimated Cost $80,000.

Paving of SLSDC service roads, Massena, St. Lawrence County, NY, Estimated Cost $70,000.
Replace remote radio station at Lafargeville, NY, Estimated Cost $100,000.

Replace VTC Radio Consoles, Massena, St. Lawrence County, NY, Estimated Cost $150,000.

Computerized Display System (VTC), Eisenhower Lock, Massena, St. Lawrence County, NY, Estimated Cost $250,000.

Repower Corporation-owned tug "Robinson Bay", Estimated Cost $465,000.

ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD

QUESTIONS SUBMITTED BY SENATOR LAUTENBERG

FISCAL YEAR 1988 OBLIGATIONS

SENATOR LAUTENBERG: Of the $1,891,000 appropriated for Fiscal Year 1988, how much remains to be obligated and will all funds be obligated by the end of the fiscal year?

ANSWER: Approximately $775,033.33 of the $1,891,000 appropriated for Fiscal Year 1988, remains to be obligated. We anticipate that all of these funds will be obligated by the end of the fiscal year.

SENATOR LAUTENBERG: What accounts for the expected decrease from the Fiscal Year 1988 level in funding needed for research and technical assistance activities?

ANSWER: With the major research projects on the minimum guidelines now completed, the Board will be allocating a smaller percentage of its budget for research and technical assistance purposes. The Board will, however, continue to place increased emphasis on cooperative efforts with other agencies.

SENATOR LAUTENBERG: What is the status of research needed to complete the Minimum Guidelines and Requirements for Accessible Design (MGRAD)?

ANSWER: At its May 11, 1988, meeting, the Board voted to adopt proposed MGRAD provisions on Leased Facilities and to incorporate ANSI A117.1 1986 technical provisions (with minor modification) and scoping provisions from the Uniform Federal Accessibility Standards (UFAS) (with minor modification). This action completed all reserved sections of the Minimum Guidelines and Requirements for Accessible Design. The Board also voted at its March 9, 1988, meeting to adopt a 5-year review cycle of MGRAD/UFAS provisions. Every 5 years, eighty percent of the Board's research and technical assistance funding will be targeted to projects which review these provisions relative to other accessibility codes and standards, relevant research, and advances in technology to ensure they remain state-of-the-art documents.

A follow-up year of research will be targeted to resolving issues raised in the review. In intervening years, research funds will be focused on issues which are of concern to member agencies and are part of the agencies' congressional mandate including housing, transportation, and recreation. Fiscal Year 1988 begins the 5-year MGRAD/UFAS review process with the following targeted projects: MGRAD/UFAS Review, Audible Alarms, and Geometry of Surfaces (detectable surfaces).

SENATOR LAUTENBERG: What major research projects do you have planned for Fiscal Year 1989?

ANSWER: While the Board has not officially approved specific projects for funding in FY 1989, it voted at the March 1988 meeting to target research and technical assistance funding for projects in the area of accessible/adaptable housing. Projects currently under consideration and previously approved for possible funding include the Housing Modification Manual and three projects jointly sponsored with HUD to educate the public and the construction industry on the

advantages of accessible/adaptable housing. These projects include a videotape, a brochure, and an exhibit on adaptable/accessible housing design.

The Board will also consider other housing related projects for potential funding and continue the student design competition on accessible design sponsored with the National Institute for Architectural Education.

SENATOR LAUTENBERG: What were the final results of the follow-up effort on visual signals you referred to last year (Senate Hearings 100-354, page 928)?

ANSWER: The contractors have recently delivered to the agency proposed language for revision of MGRAD on the topic of visual signals. The Board will consider the proposed MGRAD changes along with proposals which are generated by FY 1988 research projects. The contractors are also developing technical assistance materials on visual signals which incorporate the results of the project findings. The results of the Board's research are also being considered by the ANSI/NFPA 725 Committee in the review of provisions contained in ANSI/NFPA 725 entitled "Guide to the Installation, Maintenance & Use of Notification Appliances for Protective Signalling Systems."

SENATOR LAUTENBERG: What cooperative research efforts with other Federal agencies were undertaken in Fiscal Year 1988 and what projects are planned for Fiscal Year 1989?

ANSWER: In Fiscal Year 1988, the Board continued its support of the Telecommunication Device for Deaf persons (TDD) relay project in cooperation with the Department of Treasury.

The Board also continues to monitor and provide technical assistance to the demonstration project on TDDs in airports initiated through an interagency agreement with the Department of Transportation. Contract difficulties at the Miami International Airport have caused this project to be delayed.

The Board is also working with the Department of Housing and Urban Development on developing projects for accessible housing and with the Department of Education and the National Institute of Disability and Rehabilitation Research on an "Accessible Research Evaluation" project.

SENATOR LAUTENBERG: When was the technical assistance project to develop human factors data about the performance capabilities of persons with disabilities as they related to the built environment completed? What did it cost and what were its benefits?

ANSWER: The final report on the Human Factors/Demographics Project was delivered by the contractor on April 29, 1988. Board staff is currently preparing recommendations for Board consideration on the final format of a technical assistance document incorporating this material. While the report has not yet been formally issued by the Board, the information from it is being used to provide technical assistance on requests for statistics on disabilities. The cost of the project was $19,450.00.

SENATOR LAUTENBERG: What was the cost of the research project for lifts and wheelchair securements for buses and para-transit vehicles? If a technical paper was prepared, how many requests or inquiries about it did you receive?

ANSWER: The research on lifts and wheelchair securement was funded through an interagency agreement with the Urban Mass Transportation Administration (UMTA) in conjunction with an UMTA-sponsored project to develop guidelines for lifts, ramps, and securement systems. The Board provided $25,000 toward the project and has received a computerized annotated bibliography and a draft technical paper. Board staff is currently preparing recommendations for Board review on the final format of a technical paper to be issued this fiscal year, at which time an announcement will be published in the Board's newsletter. The annotated bibliography has been available separately for some time and is one of the Board's most frequently requested publications for which several hundred requests have been filled.

SENATOR LAUTENBERG: What is the status of the report on research activities and future needs regarding accessibility that was to be prepared and disseminated after approval of the Interagency Committee on Handicapped Research, NIDRR, and the Board?

ANSWER: The consultant prepared material for a booklet to be entitled "Toward An Accessible Environment: Effective Research" which will describe seven research projects out of the fifty (50) which were identified at the time the review panel met, deemed to be the most effective sources of new knowledge about accessibility. The National Institute of Disability & Rehabilitation Research has provided the ATBCB with $10,000 to pay for preparing the manuscript for publication and for printing and distribution of the booklet. The final draft of the booklet has been submitted to the Interagency Committee on Handicapped Research (ICHR) and forwarded to the Board for editing and printing. This document will be available by the end of the fiscal year.

The consultant's final report of the project, which was submitted to NIDRR consistent with the contract, includes abstracts of the more than 90 Federal research projects identified as either research or technology transfer on architectural and transportation accessibility and related issues completed between 1982 and 1987. This report also identified the areas perceived by the contractor as needing further research.

COMMUNICATIONS ACCESS RESEARCH

SENATOR LAUTENBERG: What has the Board accomplished since it completed, in Fiscal Year 1986, a project to evaluate existing alarm systems and emergency procedures used in alerting and evacuating handicapped persons?

ANSWER: In 1985, the ATBCB began a research project to assess auditory and visual alarms and alarm systems in use in the United States with special emphasis on alarms and alarm systems in buildings and facilities that serves substantial numbers of people with visual, auditory, and other types of disabilities. As a result of this initial study, three projects are now being conducted by the Board on specific emergency evacuation issues.

These projects are described as follows:

In 1986, the ATBCB began a two-year project seeking to investigate the operational effectiveness of visual signal devices used as alarms for hearing-impaired and deaf persons through experimental research. Recommendations based on this research for revision of the ATBCB's Minimum Guidelines and Requirements for Accessible Design have been received and will be considered by the Board as a part of the upcoming and ongoing MGRAD/UFAS review cycle.

In 1987, the ATBCB began another study to survey procedures of demonstrated efficacy in the egress of disabled persons from various types of buildings and facilities. This project will develop advisory standards and technical assistance materials on emergency egress. Currently, this project's literature review has been completed and the advisory task force is in the process of developing recommendations.

In 1988, the Board plans to begin a study on the human factors aspects of auditory alarms and alarm systems for persons who have visual or hearing impairments, and other persons who may not benefit from common auditory alarms. This project will assess minimum, maximum, and optimum intensity, frequency, harmonic composition, pitch variation, placement, and other variables as well as obtain cost estimates for such systems for different building classifications. At this time the Board is awaiting contract proposals from independent firms to conduct this project. Work is expected to begin in September.

SENATOR LAUTENBERG: What specific improvements have been made and by whom?

ANSWER: Because the three follow-up projects to this alarms documentation study are currently underway, specific improvements cannot as yet be identified.

SENATOR LAUTENBERG: Is the Board satisfied with the response to its findings?

ANSWER: With the three previously described projects still underway, the Board's satisfaction with the response to project findings cannot as yet be described.

SENATOR LAUTENBERG: What is the Board's view of the progress being made by the Department of Transportation in implementing the Air Carrier Access Act?

ANSWER: The Board was a member of the panel assembled by the Department of Transportation (DOT) for the regulatory negotiation and was disappointed when the negotiations were suspended. The Board has communicated to DOT its hope that the substantial agreement reached on the issues before the panel will be incorporated in the proposed rule issued by DOT. The Board has also communicated to DOT its opposition to the establishment of quotas for the number of disabled persons permitted on aircraft and has expressed its hope that the rulemaking will proceed expeditiously.

SENATOR LAUTENBERG: How many meetings have been held by the special advisory committee set up by DOT to help it develop new rules to govern airline treatment of the handicapped?

ANSWER: The regulatory negotiation panel met on the average of twice a week from June 4, 1987, until November 5, 1987, including a number of working-group sessions scheduled in addition to the regular negotiating sessions.

SENATOR LAUTENBERG: Was the advisory committee able to develop a consensus among affected parties on what the new regulations should cover? If progress has been limited, explain why and what the Board's doing to help achieve progress?

ANSWER: The regulatory negotiation panel was able to reach substantial consensus on a number of substantive issues, such as

certain features to be included in future aircraft and airport security procedures, but was unable to reach agreement on others. The negotiations were terminated when the groups representing disabled persons believed that the DOT, in particular the FAA, were negotiating in bad faith. In part, the dispute arose over the seating of disabled persons in exit rows and the suggestion that a quota of disabled persons on a given aircraft might be established. The Board has communicated to DOT its hope that the rulemaking will proceed quickly and that the Board is opposed to the establishment of a quota system.

SENATOR LAUTENBERG: What new rules, if any, have been published?

ANSWER: DOT has not yet published its proposed rule.

SENATOR LAUTENBERG: What did the advisory committee decide regarding the feasibility of a DOT requirement that air carriers specify the accessibility option for new aircraft and provide on-board wheelchairs?

ANSWER: The panel did agree that new aircraft should include an "accessibility" package but did not reach agreement on all of the features such a package should include. For example, it was agreed that new wide-body aircraft should include some number of seats with movable aisle-armrests but the number of such seats was not agreed upon. For wide-body aircraft, it was also generally agreed that the restroom should include grab-bars and other amenities and that an on-board wheelchair should be provided. Agreement was not reached on whether smaller aircraft should include such features, especially small commuter aircraft.

SENATOR LAUTENBERG: Was a technical paper on the stowage of wheelchairs and other mobility aids published yet? If not, when will it be published?

ANSWER: The final technical paper on mobility aid stowage was approved by the Board's Technical Programs Committee in March and a final document delivered by the contractor on March 31, 1988. Board staff has prepared a recommendation to the Board's Executive Committee to approve publication and distribution this summer.

STAFF TRAVEL

SENATOR LAUTENBERG: Please update for Fiscal Years 1987 and 1988 to date the data on staff travel found on pages 944 and 945 of last year's hearing record.

ANSWER: The following is an update on staff travel for FY 1988. There are no changes to the data provided for FY 1987.

FY 1988

Ottawa, Canada	To attend a conference on environmental needs of elderly and disabled persons. This conference relates to an ATBCB technical assistance priority.
Baltimore, Maryland	Complaint Investigation

Providence, Rhode Island	Complaint Investigation
Philadelphia, Pennsylvania	SEPTA/UMTA Litigation
Miami, Florida	Complaint Investigation
Berkeley Springs, West Virginia	Executive Committee Retreat, Small Agency Council
Phoenix, Arizona	Board Meeting
Pamona, California	Environment Design Research Association
Santa Fe, New Mexico	Accessibility Interior Design Educators Council Conference
Philadelphia, Pennsylvania	Complaint Investigation
Atlanta, Georgia	Board Meeting
Ocean City, Maryland	Participation in workshop on "Agency Drug Free Workplace Plan"
New York, New York	Meeting with the National Institute for Architectural Education.

BOARD OF DIRECTORS

SENATOR LAUTENBERG: Please update the data on pages 946 and 947 of last year's hearing record regarding Board membership.

ANSWER: The following is the Board membership list and terms of service.

Public Board Members	Term of Service
Howard Adams	04/08/87 - 12/03/89
Robert Brostrom	03/12/86 - 12/03/88
Stephen Bull	03/08/88 - 12/03/90
Lane Carson	12/18/85 - 12/03/88
Gene Chappie	04/08/87 - 12/03/89
Richard Chavez	04/19/83 - 12/03/85
	12/04/85 - 12/03/88
Robert A. (Tony) Cothren	04/08/87 - 12/03/88
Eugene Johnson	03/08/88 - 12/03/90
Robert Kelly	04/08/87 - 12/03/89
William McCabe	02/22/88 - 12/03/90
Glen Stotler	02/22/88 - 12/03/90
William Tangye	07/01/85 - 12/03/86
	04/08/87 - 12/03/89

Federal Board Members
Department of Education
Madeleine Will
Assistant Secretary for Special Education and Rehabilitative Services

Department of Defense
Grant S. Green, Jr.
Assistant Secretary for Force Management and Personnel

Department of Health and Human Services
Ronald E. Robertson
General Counsel

Department of Housing and Urban Development
Judith Brachman
Assistant Secretary for Fair Housing and Equal Opportunity

Department of Interior
Rick Ventura
Assistant Secretary for Policy, Budget, and Administration

Department of Justice
Wm. Bradford Reynolds
Assistant Attorney General for Civil Rights

Department of Labor
George R. Salem
Solicitor of Labor

General Services Administration
Paul Trause
Deputy Administrator

Department of Transportation
Matthew Scocozza
Assistant Secretary for Policy and International Affairs

United States Postal Service
Stanley Smith
Assistant Postmaster General

Veterans Administration
Thomas Harvey
Deputy Administrator for Veterans Affairs

SENATOR LAUTENBERG: Are there any vacancies remaining to be filled?

ANSWER: There are no vacant positions on the Board at this time.

SENATOR LAUTENBERG: How much of the Board's total budget for Fiscal Year 1988 was associated with Board meetings, i.e., per diem, travel, and compensation costs?

ANSWER: For FY 1988, approximately $163,000 will be spent on travel and compensation costs associated with Board meetings.

SENATOR LAUTENBERG: How much is requested for Fiscal Year 1989 for such meetings?

ANSWER: For FY 1989, a total of $182,000 is requested for travel and compensation costs associated with Board meetings.

SENATOR LAUTENBERG: Please update the attendance rate at Board meetings for Fiscal Years 1987 and 1988 to date.

ANSWER: The following is the attendance rate at Board meetings for Fiscal Years 1987 and 1988 to date:

1987	Members Present
May	14
July	13
September	16
November	13
1988	
January	10
March	18
May	13

PERSONNEL COMPENSATION

SENATOR LAUTENBERG: Identify all executive level employees who received a bonus in Fiscal Years 1986 and 1987, as well as the amounts and basis for each bonus.

ANSWER: The Board does not have any executive level positions.

SENATOR LAUTENBERG: What is the budgeted amount for bonuses in Fiscal Years 1988 and 1989?

ANSWER: As the Board has no executive level positions, no funds are obligated for this purpose.

SENATOR LAUTENBERG: What is the basis for the $2,000 increase in the average salary from Fiscal Years 1987 to 1988 and 1988 to 1989?

ANSWER: The increase is based upon promotions, within-grade increases for those employees covered under the General Schedule (GS); merit increases for employees covered under the Performance Management and Recognition System (PMRS) as well as a 2% projected cost of living increase.

SENATOR LAUTENBERG: What percentage of the Board's staff is covered by the FERS? (Provide the absolute number of personnel, the percentage and the dollar costs for Fiscal Years 1987 and 1988.)

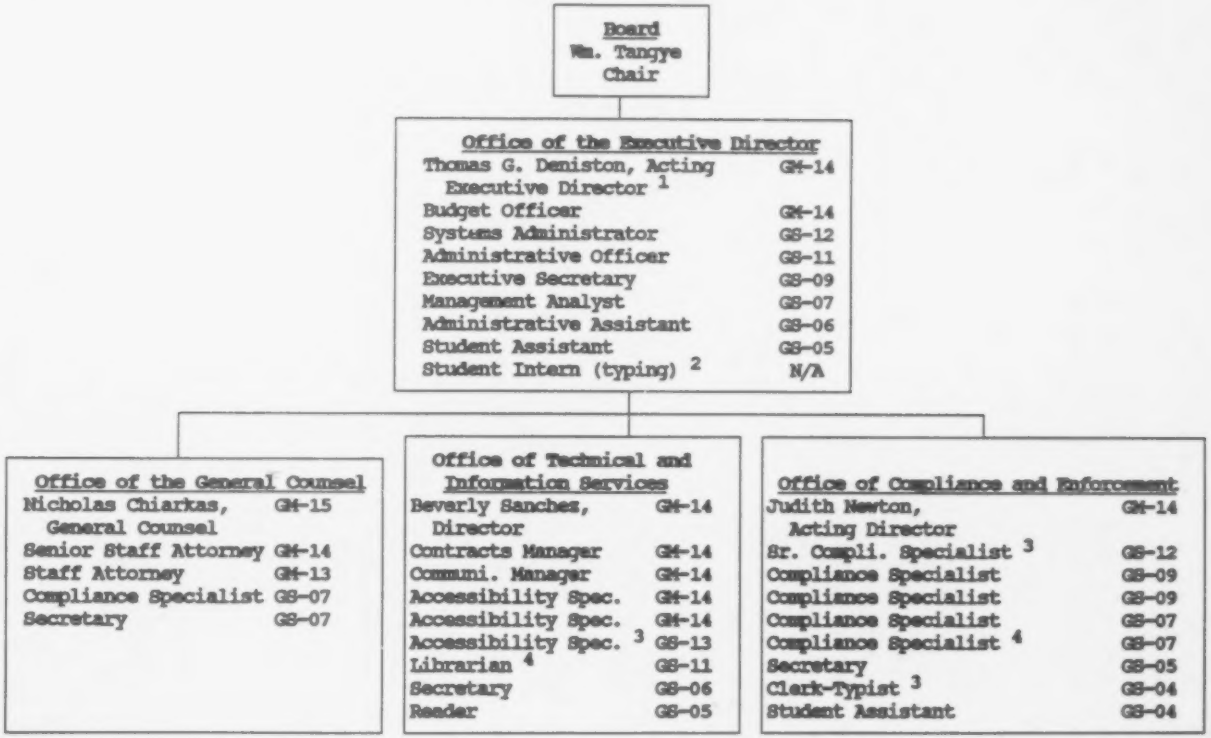
ANSWER: The number of Board staff covered by FERS for FY 1987 is 10 (50% staff) at a cost of $65,000; for FY 1988 the number of staff is 13 (54% of staff) at a cost of $101,000.

SENATOR LAUTENBERG: Provide the Board's organizational chart listing the names, titles and personnel rank for each department head.

ANSWER:

[the information follows]

ATBCB Organizational Chart



1 on detail from VA
2 volunteer
3 vacant
4 part-time

SENATOR LAUTENBERG: Was the final rulemaking completed regarding the adoption of the technical provisions found in American National Standards Institute (ANSI) A117.1(1986)?

ANSWER: The Architectural and Transportation Barriers Board approved a final rule adopting technical provisions found in American National Standards Institute (ANSI) A117.1(1986) at its May 11, 1988, meeting. The final rule approved by the Board is being prepared for submission to the Office of Management and Budget for approval.

SENATOR LAUTENBERG: Did the Board complete its work on detectable warnings and completed the planned rulemaking process?

ANSWER: The initial research on detectable tactile warnings was complete but did not offer sufficient guidance in establishing recommendations for a material which would be universally detectable. Because of these results, the Board voted to delete the "Reserved" section in MGRAD and in its place, refer the reader to the ANSI provisions on detectable warnings and encourage the reader to contact the Board directly for technical assistance and copies of the research report.

In addition, the Board has initiated additional research on the "Geometries of Surfaces" which may yield a universally detectable material.

SENATOR LAUTENBERG: If not, why has it been delayed and when will the rulemaking be completed?

ANSWER: Due to the desire for a universally detectable material that can be defined as the standard for detectable warnings, the Board initiated a research project on the "Geometries of Surfaces" which will study the permutations of readily available construction materials, evaluate their degree of detectibility and determine if one material can be designated as universally detectable and applicable for use as a warning.

A contract to conduct research will be awarded by the end of FY 1988 with results anticipated in FY 1989.

COMPLIANCE AND ENFORCEMENT

SENATOR LAUTENBERG: How was the complaint process improved during Fiscal Year 1987?

ANSWER: The Board has made the improvement of its complaint processing a high priority. During Fiscal Year 1987, the Board initiated a study of internal procedures and personnel allocation in the Compliance and Enforcement division. The results of that study have been and currently are being implemented. The changes included creation of an Office of Compliance and Enforcement, separate from the Office of the General Counsel; complaint specialists, not lawyers, are assigned complaint processing activities; layers of clearance reviews were reduced; processing procedures were examined and improved for more efficient and effective complaint handling including assigning signature authority to the unit head, using a system of file charge cards to provide for a quick and efficient location of complaint files, and revising time-consuming mailing procedures. Also, the Board enhanced its use of automation for complaint processing including increased use of personal computers and development of an in-house computerized system for tracking complaint data.

Improvement of complaint processing is a primary and ongoing goal of the Board, and its compliance and enforcement procedures and policies will continue to be examined and modified to bring about a more efficient system for handling Architectural Barriers Act (ABA) complaints.

SENATOR LAUTENBERG: Please update the chart on page 955 of last year's hearing record and include data for Fiscal Year 1988 to date.

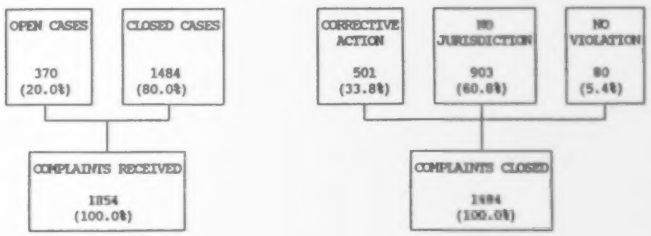
ANSWER:

[the information follows]

STATUS OF COMPLAINTS BY FISCAL YEAR RECEIVED
(FY 1977 - FY 1988)

	COMPLAINTS RECEIVED		OPEN CASES	COMPLAINTS CLOSED					TOTAL CLOSED
						CLOSED FOR:			
FY	TOTAL	% CHANGE FROM PREVIOUS FY	UNDER INVESTI-GATION	TOTAL	% TOTAL RECEIVED	CORRECTIVE ACTION	NO JURIS-DICTION	NO VIOLATION	BY FY CLOSED
1977	100	——	-0-	100	100.0%	43	49	8	
1978	155	55.0%	-0-	155	100.0%	62	85	8	
1979	176	13.0%	-0-	176	100.0%	89	83	4	
1980	160	-9.0%	3	157	98.1%	56	89	12	
1981	106	-33.0%	5	101	95.3%	45	55	1	
1982	119	12.0%	6	113	95.0%	55	53	5	
1983	129	8.4%	14	115	89.1%	45	59	11	
1984	233	80.0%	48	185	79.4%	37	142	6	132
1985	249	6.5%	33	216	86.7%	46	159	11	195
1986	91	-63.5%	29	62	68.1%	13	45	4	76
1987	217	117.5%	130	87	40.1%	8	69	10	123
1988	119		102	17	14.3%	2	15	-0-	167
TOTAL	1854		370	1484	80.0%	501	903	80	

REPORT DATE: MAY 20, 1988



SENATOR LAUTENBERG: Of the complaints received in each of Fiscal Years 1986, 1987 and 1988, how many actual violations were found?

ANSWER: The number of actual violations found is not an isolated statistic compiled by the Board since our complaint process focuses on the resolution, rather than the cause, of the complaint.

However, as shown on the chart submitted in response to the above question, for Fiscal Years 1986, 1987 and from October 1 to May 20, 1988, a total of 427 complaints were received by the Board. During this period, a total of 166 were closed; in only 14 of these cases, was no violation found of a standard issued pursuant to the ABA. In 23 of the closed cases, corrective actions were taken to remedy violations found and in the remaining 129 cases, it was determined that the Board did not have jurisdiction and thus, did not pursue the cases further. Violations of applicable accessibility standards may or may not have existed in these cases.

SENATOR LAUTENBERG: If someone complains about access to a building, for example, do you routinely determine the nature of their disability and whether they use a chair, riser or an amputee? If you don't routinely obtain the disability-related data, why don't you do so?

ANSWER: We do not obtain disability-related data because the Board is mandated to enforce accessibility standards which are intended to provide access to all physically handicapped persons. Our complaint process focuses on the elimination of the architectural barrier(s) and is not affected by the disability of the person filing the complaint. Anyone can file a complaint, both disabled and able-bodied persons. Also, our regulations at 36 CFR Section 1150.12 allow for complaints to be filed anonymously so, at best, only partial statistics pertaining to complainant characteristics could be compiled. Further, under various laws, including Section 504 of the Rehabilitation Act of 1973, it would be discriminatory/an invasion of privacy to solicit specific information about an individual's disability.

SENATOR LAUTENBERG: Regarding the complaints received and actual violations found in Fiscal Year 1987, what Federal agencies were responsible for the facilities involved?

ANSWER: The 217 complaint cases opened in Fiscal Year 1987 can be broken out by agency, as follows:

Agency	Number	Percentage
Department of Defense	3	1.4
Department of Education	3	1.4
Department of Health and Human Services	3	1.4
Department of Housing and Urban Development	57	26.3
Department of Interior	3	1.4
Department of Transportation	11	5.1
General Services Administration	4	1.8
United States Postal Service	79	36.4
Veterans Administration	6	2.8
Other Federal Agencies	5	2.3
Other Non-Federal Agencies	43	19.7
TOTAL	217	100.00

SENATOR LAUTENBERG: Based on the work and the report on the Interagency Working Group, describe the recommendations for improving access to recreational facilities that were made to the Department of Interior.

ANSWER: The Board reviewed the report of the Federal Interagency Working Group on Access to Recreation and voted to publish in three brochures the technical provisions contained in the report for applying UFAS to create accessible picnic areas, accessible campgrounds, and accessible trails. These brochures are currently under development.

The National Park Service Special Population Branch intends to make the entire report, which includes an historical background, a literature review and a philosophical prospective, available to recreation and park professionals when funding is available. They also plan to distribute and use the ATBCB publications in their training seminars.

SENATOR LAUTENBERG: Which recommendations were adopted by Interior?

ANSWER: It has been the policy of the National Park Service to make facilities accessible consistent with the level of man-made alterations made to a site. For example, when a parking lot, comfort station, developed campgrounds, and other amenities are provided, these facilities will be made accessible. Both the Park Service and the Department of Interior participated in the development of the report and intend to use the report and the Board's technical publications to implement existing policy and to comply with the requirements of the Architectural Barriers Act and Section 504 of the Rehabilitation Act.

INTERSTATE COMMERCE COMMISSION

STATEMENT OF HEATHER J. GRADISON, CHAIRMAN

Fiscal Year 1989 Budget Request

Mr. Chairman, Members of the Subcommittee:

Thank you for the opportunity to provide this statement. Before we discuss the Interstate Commerce Commission's FY 1989 appropriation request, I would like to highlight some of the Commission's recent actions and plans for the immediate future.

The Commission has issued decisions on a number of policy issues in pending cases in the rail area: rail transportation contract rules, revenue adequacy, market dominance, reasonableness of coal rates in light of Ex Parte 347 (Sub-No. 1), and reasonableness of non-coal rates in light of Ex Parte 347 (Sub-No. 2). Some of the significant rail cases decided recently include: the Union Pacific acquisition of Overnite Transportation Company, the Santa Fe/Southern Pacific merger case, and the Arkansas Power and Light Company and McCarty Farms rate cases. We have made significant progress on clearing the rail rate case docket. Last year, at this hearing, I reported to you that we had approximately 50 rail rate cases pending, 36 of which were coal cases. We now have 20 rates reasonableness cases being handled in 14 proceedings; of these, there are 12 remaining coal cases being handled in 6 proceedings.

In the motor carrier area, the Commission dealt with significant issues in the following areas: rate bureau antitrust immunity, self-insurance, rate discounting, safety fitness, freight forwarder deregulation, and negotiated motor common carrier rates. We also began, and are continuing, a review of all motor-related rules to update, streamline, and remove unnecessary regulations. We are continuing to expeditiously process cases on our motor carrier docket.

The Commission has revised its tariff publishing rules to allow all motor carriers to file electronic distance determination systems in place of printed distance guides. In addition, the Commission recently invited public comment on a proposal to replace current tariff filing regulations with simpler standards which permit electronic tariff filings. The proposed standards would still require that tariffs be filed and maintained in a manner that allows all tariff users to determine the exact rate, fare, or charge applicable to any given shipment or set of shipments. While the carriers would have their choice of format, tariffs that would deny users price certainty or not disclose carrier services and related practices would be considered inconsistent with the statute governing tariff filings. These actions are designed to promote efficiency and competition in the industry while continuing to meet statutory requirements regarding tariffs.

The final report of the Railroad Accounting Principles Board (RAPB), published in September 1987, endorsed the Commission's

Uniform Rail Costing System (URCS), with the caveat that further study be completed on the Commission's proposed regression analysis procedures. During FY 1988 and 1989, the Commission will complete the research recommended by the RAPB, publish a report of findings for public comment, and make necessary modifications to the system to implement the RAPB recommendations. Implementation also includes research and rulemakings in connection with the development of productivity measurement techniques to be used for rail costing and with the rail cost adjustment factor.

The Administration is again proposing to further deregulate interstate motor freight, household goods freight forwarder, property broker, bus, and inland waterway carriers, and to sunset the Interstate Commerce Commission by October 1, 1988. The remaining rail regulatory functions and associated staff would be transferred to the Departments of Transportation and Justice. The handling of consumer complaints regarding household goods movers would be administered by the Federal Trade Commission.

The resource numbers underlying this legislative proposal are as follows:

$16.926 million and 248 staff-years transfer to DOT

$ .996 million and 17 staff-years transfer to DOJ

$ .450 million and 9 staff-years transfer to FTC

The total resources to be transferred are $18.372 million and 274 staff-years. (These are very close to the amounts now devoted to rail matters at the Commission.) In addition, $14.413 million is requested to cover severance costs of ICC employees who would not be transferred to other agencies.

The Commission is on record as supporting previously introduced legislation to reduce or eliminate the regulation of non-rail surface transportation, particularly the regulation of motor carriers of property. We have also supported various proposals for reducing regulation of water carriers and brokers. Because I believe this new legislative proposal will produce a more efficient transportation system and eliminate needless regulation, I support the Administration's initiative.

The Administration is also requesting an appropriation of $44.216 million and 724 staff-years under current legislation to fund the ICC in the event sunset legislation is not enacted. This request is 8 staff-years less than were expended in FY 1987 and reflects the Commission's continuing efforts to make the most efficient use of resources. The Office of Management and Budget recommended a staff level of 25 less than the budget originally developed by the Commission last summer. Most of the decrease--10 staff-years in each office--is in the Bureau of Traffic and the Office of Compliance and Consumer Assistance. A majority of the Commission does not object to these reductions. However, since there were some dissents I want to speak to the merits of these reductions.

The Director of the Bureau of Traffic assures me that he expects to be able to meet his goals and objectives for FY 1989 at the lower staff level. One of the activities affected in the Bureau is tariff liaison and counseling. We believe that we can provide adequate assistance to carriers to ensure that tariff data are adequately published and filed. Another workload area, interpretation of tariffs, involves settling disputes informally when parties cannot agree on the proper application of tariff provisions. Again, we expect to be able to handle all such requests. The other affected activity, rulemakings and special projects, is reduced in anticipation of a lower level of activity as a result of less Commission involvement in carrier rate and tariff matters. It is important to note that workload experience so far in FY 1988 is at lower levels of activity in certain areas than originally projected for FY 1988 and 1989; we expect this trend to continue, thus allowing reallocation of staff within the Bureau to meet the anticipated workload.

The Office of Compliance and Consumer Assistance mission is composed of work generated by public requests and other activities performed on the staff's initiative. Public request work, such as complaint handling, the granting of short-term operating authority, insurance-related matters, and the provision of other assistance and information to the public will be unaffected by the revised FY 1989 staffing level of 200. Two public request work items were reduced by one staff-year each because the staff resources used are less than expected or a decline in FY 1989 work volume is projected.

Resources devoted to staff-initiated work activities were reduced by eight staff-years. These include such items as compliance surveys, preliminary and final investigations, and litigation. Such reductions continue to be possible because of reduced regulation. Notwithstanding these reductions, sufficient resources are being requested to provide a comprehensive compliance and enforcement program. At the requested staffing level, OCCA will complete all special investigative projects that may arise and pursue the compliance challenges and demands that occur in the general course of business. This proposal contains essentially the same level of staffing for these activities as were employed in FY 1987.

In addition, the Commission is requesting reprogramming for one of its offices from the dollar levels contained in the conference report on the FY 1988 continuing resolution and for the transfer of one staff-year to establish a new Office of Internal Audit. The funding reprogramming for the Office of Public Assistance is due largely to the two-percent general schedule pay raise for all Federal employees which became effective January 3, 1988, and to increases in the office's average salary associated with new staff members and regular within-grade increases for its staff. The staff-year reprogramming for the Office of Internal Audit represents a mission transfer from the Bureau of Accounts to a new satellite office reporting directly to the Chairman. This new office will perform audits of the Commission's financial activities and reviews of its internal control systems. I believe these reprogramming actions are necessary and in the Commission's best interest.

Whether the Commission continues to operate as an independent entity carrying out its present responsibilities or whether the regulatory responsibilities are transferred to other agencies are matters for the Congress to decide. But, in the absence of further regulatory reform legislation, the resource levels in the Commission's proposed budget under current legislation will be required to carry out the Commission's current responsibilities.

Directed Rail Service

The most recent directed rail service payments were made to the Kansas City Terminal Railway Co. for directed service performed over the lines of the Chicago, Rock Island, and Pacific Railway Co. between October 15, 1979, and March 23, 1980. The account has been inactive for some time.

There are currently no funds for directed service and we are not requesting an appropriation for this account at this time. Under the Administration's sunset proposal, responsibility for directed rail service would transfer to the Department of Transportation.

COMMISSIONER SIMMONS, dissenting in part:

I wish to point out that I am on record as opposing the sunset of the ICC. I continue to hold that view. This agency has done an outstanding job with limited resources in fulfilling the goals of the National Transportation Policy and implementing congressional statutes. Functions scattered throughout the Executive Branch are inefficient and a waste of governmental resources. Such a situation would subject the Nation's surface transportation industry to more burdensome regulations and inconsistent policies of competing departments.

I strongly disagree with the position taken by the majority of the Commission not to again present and support the 1989 Budget agreed to in an open voting conference. Instead, the majority assented, without benefit of an open conference, to OMB's unexplained reductions. The Chairman has insisted that these OMB recommended reductions will not impair the Commission's ability to fulfill its responsibilities and has cited as an example verbal communications between herself and Director of our Bureau of Traffic. However, I would point out that any such statements are inconsistent with representations made before the Commission by the Bureau and Office Directors in the public voting conference.

It is no secret that the Chairman favors sunsetting the ICC. Unable to persuade Congress to follow this short-sighted view, the Commission simply now does not fill most vacancies. Indeed, during the last two and one-half years there has been a mass exodus of 34 veteran SES and GS-15 personnel with an average experience of 18 years. When personnel are not replaced, yet the workload continues as before, it is obvious that the agency cannot fulfill the statutory functions designated to it by Congress. Without adequate manpower, the Commission will refuse to act on petitions and requests from various segments of the public to investigate matters within our jurisdiction or to offer guidance on transportation matters with the excuse that the agency lacks

the resources. Indeed, this policy has already begun. For example, railroad abandonment proceedings are routinely conducted without benefit of oral hearings. Likewise, petitions to investigate alleged wrongdoings, and unlawful practices by various segments of the regulated surface transportation industry have gone unanswered with the convenient excuse that the Commission lacks the manpower.

Please see my separate expression contained in the Summary and Highlights portion of the Budget for a further elaboration of my disagreements with the final Budget. That dissenting statement explains in more detail how and why these cuts indeed impair the Commission's ability to adequately fulfill its statutory responsibilities and to meet its human relations obligations.

COMMISSIONER LAMBOLEY, commenting:

Last year I observed that the Commission had significantly and responsibly reduced its personnel and budgetary resources over the years, and had likewise sustained an accelerated attrition rate. I concluded that FY 1988's budget proposal may not be adequate.

This year my concern is not abated. Reductions continue with the consequence of an "attrition based" increase in productivity. Personnel retention and recruitment remain problematical.

Commission strength reports reflect that staffing has consistently been restricted to levels below that authorized by Congress. It is evident from the table below that permanent position vacancies remain unfilled and a reduced workforce is maintained.

FY	FTE REQUESTED	FTE AUTHORIZED	FTE EMPLOYED (AVERAGE)	FTE EMPLOYED (Close of FY)	SPECIAL APPTS
1985	987	949	916	834 (9/28/85)	25
1986	923	869/851*	806	702 (9/27/86)	40
1987	800	790	732	706 (9/26/87)	32
1988	748	750		692 (5/7/88)	21

(*869 reduced to 851 under Gramm-Rudman-Hollings)

At Commission budget conferences bureau and office heads assert that no staffing difficulties exist. However, in other settings, employees, who do not generally attend the conference,

and even some managers, do attest to deep concerns over morale, staff levels and workload.[1]/

All of this is disconcerting in light of the existing and continuing Commission responsibilities. Presently, there are several important matters pending. The Rail Accounting Principles Board (RAPB) has issued a final report upon which Commission action is required. Two rail control/merger cases are under consideration (1) the UP/MP acquisition of the MKT[2]/, and (2) the SFSP divestiture of the SP and its acquisition by the DRGW.[3]/ While it is anticipated these cases will be decided this year, given available resources, either existing or proposed, staff commitments will no doubt impact other significant proceedings involving rates, access or contentious rail line sales.[4]/

In addition, the Commission is informed that a recent motor carrier bankruptcy has almost 2000 "undercharge" cases eligible for Commission review under MC-177.[5]/

Internally, docket management has presented some difficulties. With increasing frequency, circulations to

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1/ Case handling statistics for those fiscal years, likewise, reflect a steadying workload; e.g., FY 1985: Motor - 15,325 opened, 15,037 closed; Rail - 673 opened, 360 pending, 1,231 closed; FY 1986: Motor - 12,260 opened, 13,158 closed; Rail - 580 opened, 335 pending, 996 closed; FY 1987: Motor - 13,677 opened, 13,489 closed; Rail - 465 opened, 296 pending, 1,436 closed. To the extent revenue from fees and fines may be indicative of activity levels, such revenue has remained fairly constant in recent years; i.e., FY 1985 fees: $4,500,000, fines: $643,000; FY 1986 fees: $4,460,000, fines: $1,134,000; FY 1987 fees: $4,300,000, fines: $852,000.

2/ Finance Docket No. 30800, Union Pacific Corporation, Union Pacific Railroad Company and Missouri Pacific Railroad Company - Control - Missouri-Kansas-Texas Railroad Company.

3/ Finance Docket No. 30400, Et Al., Sante Fe Southern Pacific Corporation - Control - Southern Pacific Transportation Company, 2 I.C.C. 2d 709 (1986), Pet. to reopen denied, 3 I.C.C. 2d 926 (1987).

Finance Docket No. 32000, Rio Grande Industries, Inc., SPTC Holding, Inc., and the Denver and Rio Grande Western Railroad Company - Control - Southern Pacific Transportation Company.

4/ Indeed, recent developments involving regional rail carriers raise the specter of a potential need for directed rail service funding. Currently there are no funds budgeted for such contingency.

5/ McLean Trucking Co. Bankruptcy, Case No. C-B-86-0023 filed January 10, 1986, Western District of N.C. United States Bankruptcy Court; Ex Parte No. MC-177, NITL - Petition to Institute Rulemaking on Negotiated Motor Common Carrier Rates, 3 I.C.C. 2d 99 (1986).

Commissioners reflect that more staff time is being taken at the expense of time available for review by the Commissioners. In my view, this reverses the process. Pleadings have been admittedly overlooked by staff in cases given "expedited" consideration. These problems typically flow from less than adequate staff levels and loss of several qualified, competent professionals in the Office of Proceedings.

In sum, these and other matters are specifically within the Commission's knowledge and experience, not that of OMB.[6/] For that reason, it is important that the Commission convey to Congress its own budgetary proposal after considering OMB's passback, rather than substituting OMB's version of resource needs. To do otherwise, is to effectively delegate Commission responsibility to OMB.[7/]

6/ For example, the Commission is charged with the responsibility of budget planning for a given fiscal year, with a view toward future resource needs. Strategic planning of resources has not been done for such items as needed, office automation equipment, as well as, exploration of electronic data basing and information retrieval systems individually for this agency and in conjunction with other transportation agencies reflecting the global, intermodal character of transportation. Information gathering tasks have not maintained adequate priority.

7/ The present OMB passback has prompted the ICC to notice a potential general staff reduction of 10 in the Bureau of Traffic which is currently 5 FTE under authorization.

Letter From Paul H. Lamboley, Commissioner, Interstate Commerce Commission

May 24, 1988

The Honorable Frank R. Lautenberg
United States Senate
Chairman, Senate Appropriations Committee
Subcommittee on Transportation and Related Agencies
SD-156 Dirksen Senate Office Building
Washington, D.C. 20510

Re: Interstate Commerce Commission: Budget Request for Fiscal Year 1989

Dear Senator Lautenberg:

As a part of the ICC submission to your committee, I provided a separate statement which included certain statistics concerning staff levels for the current Fiscal Year, 1988.

Previously, I noted that the present FTE staff level at the Commission was 692 (A/O 5/7 /88) compared to the 750 FTE authorized by Congress.

I wish to update that information, to note that the present FTE level has now been reduced to 687 (A/O 5/21/88).

This, unfortunately, is further evidence of the disconcerting attrition rate being experienced by the agency.

I ask that you include the information in this letter in the record.

Thank you.

Very truly yours,

Paul H. Lamboley
Commissioner

QUESTIONS SUBMITTED BY SENATOR LAUTENBERG

MOTOR CARRIER DATA

SENATOR LAUTENBERG: The ICC's current rulemaking on motor carrier data, Docket No. 38904, Elimination of Accounting and Reporting Requirements for Motor Carriers of Property, has been left undecided for almost a year. Why?

ANSWER: The Commission had reached a decision in this proceeding, but the American Trucking Associations, Inc., and other motor carrier organizations filed petitions to reconsider certain issues concerning additional accounting and reporting requirements and continued reporting by Class II motor carriers. In response to the petitions, we granted a stay to our decision. The additional reporting and accounting requirements require careful consideration because of the additional burden which would be placed on the motor carriers. Although a specific decision date cannot be provided, a conclusion will be reached as soon as possible.

SEPARATE EXPRESSION OF COMMISSIONER SIMMONS: The Commission actually reached a decision in this proceeding on December 30, 1985. At that time, a majority of the Commission voted to reject a staff proposal to reduce the annual report to a one-page format. In his vote, the Commission's previous chairman proposed that the Commission adopt a 10-page report which had been suggested by the study of accounting consultant, Arthur Andersen. Before a consensus could be reached by polling on the previous chairman's proposal, the present chairman (who voted to adopt the one-page report) suspended voting. Voting was not resumed by the chairman until February 13, 1987, and the revised draft decision presented for voting contained the one-page annual report. This was done even though the record evidence had not changed and in spite of the continued existence of a majority of Commissioners (formed December 30, 1985) to reject the one-page format. Eventually, the 10-page annual report proposed by the ATA was adopted in part. It was this decision (served March 31, 1987) which was subsequently stayed by a decision served on May 5, 1987.

SEPARATE EXPRESSION OF COMMISSIONER LAMBOLEY: In my view, data collection regarding motor carriers is insufficient. I have voted to support the modified filing forms proposed by the ATA/A. Andersen Co. study in Case No. 38904. A copy of my dissent is attached.

No administrative exceptions from current reporting requirement have been authorized by Commission action. Carriers remain obligated to file reports and enforcement notices have been sent to some carriers.

OFFICE OF VICE CHAIRMAN LAMBOLEY

NO. 38904

ELIMINATION OF ACCOUNTING AND REPORTING
REQUIREMENTS FOR MOTOR CARRIERS OF PROPERTY

March 24, 1987

MEMORANDUM TO CHAIRMAN GRADISON:

Please show me with the following separate expression.

Paul H. Lamboley

cc: All Commissioners
Director Young
Clearance Unit

VICE CHAIRMAN LAMBOLEY, dissenting:

Based upon the record evidence in this case, I would have adopted the following measures:

(1) Prescribed continued use of the Uniform System of Accounts (USOA).

(2) Adopted the 10-page annual report in the form as recommended in the Arthur Andersen Study.

(3) Continued the present filing requirements and forms for quarterly reports, but undertake review of these forms to ensure consistency with the newly adopted 10-page annual report form and the interim filing requirements for self-insured motor carriers.

(4) Required reporting by all Class I and II common and contract motor carriers.

(5) Required expense matrix data from all carriers (not limited to Instruction 27 carriers).

In my view, the Commission also has an obligation to maintain sufficient data in order to carry out certain responsibilities to the public and to Congress.

The record in this case supports the continued filing of meaningful financial data by motor carriers, albeit in a

streamlined yet uniform fashion. Federal and state agencies, as well as a wide variety of industries including shippers, carriers and insurance companies support the continuation of such filing requirements.

Although rate changes are today frequently filed on an individual basis, collectively-established general increases are also still filed. The elimination of motor carrier reports will admittedly limit our ability to perform financial analyses in the manner traditionally used by us for collective ratemaking oversight. This decision may well compromise our effectiveness and responsibility in this area.

Likewise, I believe we have a public purpose obligation to provide Congress with adequate and accurate information. These new rules will further undermine and limit the ability to properly profile and evaluate the motor carrier industry.

In sum, I find the record in this case falls woefully short of a sufficient factual basis or rational public purpose to support that which is here being adopted by the majority.

SENATOR LAUTENBERG: To what extent has OMB approved the motor carrier annual reports? Has the 1987 annual report been approved? Quarterly reports for 1988?

ANSWER: OMB has approved the motor carrier 1987 annual report and the 1988 quarterly reports through June 30, 1988.

SENATOR LAUTENBERG: What has been the hold up in getting these reports approved?

ANSWER: Pending resolution of Docket No. 38904, Elimination of Accounting and Reporting Requirements for Motor Carriers of Property, the Commission did not request OMB reinstatement of the existing report approvals until December 1987. Approval was received January 13, 1988.

SEPARATE EXPRESSION OF COMMISSIONER SIMMONS: The situation regarding OMB approval for motor carrier reporting forms is more serious and more complicated than indicated in the majority's response. The delay in receiving OMB approval for the current forms apparently resulted from a commitment made by the Chairman's Office to OMB. This commitment was that the Commission would adopt rules in No. 38904 which would reduce reporting requirements to an absolute minimum and thereby reduce burden hours by

approximately 420,000. The commitment was made without any vote by, or even consultation with, other members of the Commission. When the Commission did not take the action promised by the Chairman's Office, OMB was very reluctant to approve issuance of the existing forms.

This chain of events has already resulted in delays in receipt of quarterly and annual reports due the first six months of calendar 1988. These reports contain information relied upon by Congress, the Commission, state and local governments, insurance companies, and numerous other parties. Even more serious than this delay, however, is the fact that the Commission has no approval from OMB for reporting forms after June 30, 1988. It is thus unclear when or if motor carrier operating data will be available after that date. This situation reflects poorly on Commission management.

SENATOR LAUTENBERG: The Commission appears to be of the feeling that only a minimal amount of data needs to be collected and only from the largest carriers. Is that true?

ANSWER: The Commission believes that only data which we need regularly and frequently should be collected on a routine basis. Information needed occasionally should be collected only when the specific need arises. We also believe that data from the largest carriers is most important. The largest carriers reflect industry trends and financial condition by capturing a large proportion of data on the total industry while requiring a small proportion of the total carriers to report.

SEPARATE EXPRESSION OF COMMISSIONER SIMMONS: On the question of the amount of motor carrier data needed, I would offer the following views which were expressed in my dissent from the adoption of limited reporting requirements. The evidentiary record in No. 38904 gave a clear consensus as to the course of action this Commission should have followed. The overwhelming weight of the testimony indicates clear and strong opposition to Commission proposals to adopt a one-page quarterly and annual report form, to eliminate the USOA and to discontinue reporting by Class II motor carriers. The parties sharing this view represent a large majority of the motor carrier and insurance industries (including the Regular Common Carrier Conference of the American Trucking Associations, and the American Insurance Association), several shippers groups, and several States and federal government entities.

The commenting motor carrier associations (MCA) jointly engaged the services of Arthur Andersen & Co. to make a comprehensive review of the Commission's accounting regulations and reporting requirements. Andersen was directed to identify objectively the minimum requirements which would be consistent with the Commission's regulatory responsibilities. The resulting study concluded that the USOA should not be eliminated and reporting by Class II motor carriers should be retained. It further proposed a reduction of the present annual and quarterly reporting forms to a 10-page format which would gather the minimum information consistent with meaningful reporting.

In ostensible response to these proposals and the overwhelming record evidence in support of them, the majority eviscerated the MCA/Andersen recommendations by only partially adopting the suggested 10-page reporting form. Despite the

monolithic opposition of the insurance industry (the American Insurance Association alone represents 174 insurance companies) the majority eliminated the USOA and Class II motor carrier reporting. (Indeed, the rules adopted require only 250-260 of 950 Class I motor carriers to file the complete 10-page report.)

SENATOR LAUTENBERG: Please describe the amount and kinds of data the Commission thinks is necessary to collect in the motor carrier area, from whom, and the rationale for this position.

ANSWER: The Commission has concluded that extensive accounting and reporting provisions are no longer necessary for regulatory purposes. While current reporting formats have served us well in the past, certain changes are now necessary to reflect current regulatory conditions. We believe that only basic financial information is necessary to monitor the financial condition of the industry, e.g., balance sheet, income statement, and some selected operating expense and statistical data. Quarterly and annual reporting should apply to only Class I motor carriers of property. The Commission bases this conclusion on its "regular and frequent use policy" while taking into account some data needs of other government agencies and other users.

SENATOR LAUTENBERG: Do you think this would satisfy Congress's need for motor carrier data?

ANSWER: The Commission believes the proposed data would provide sufficient information to monitor financial condition and trends in the industry.

SENATOR LAUTENBERG: If so, what do you base your answer on?

ANSWER: The proposed data would provide basic financial data from individual carriers on a comparable basis with which to assess the financial status of the trucking industry.

SENATOR LAUTENBERG: If not, how would Congress obtain this data?

ANSWER: The Commission believes the data would be sufficient for Congress' needs.

SENATOR LAUTENBERG: What steps does the Commission take (or what procedures are in place) which would track motor carriers as they move from a Class III to Class II to Class I carrier?

ANSWER: Annually, the Commission publishes in the Federal Register the index numbers used to adjust gross annual operating revenues for inflation. It is the carriers' responsibility to notify the Commission of changes in classification levels.

SENATOR LAUTENBERG: What is the reason that the Commission exempts a large number of motor carriers from reporting if they are not hauling general freight?

ANSWER: The Commission has not excused administratively a large number of specialized carriers from reporting. In the past, some specialized carriers were exempted based on the fact that data from these carriers is not used on a regular and frequent basis. Currently, it is not the Commission's policy to grant relief unless there are extraordinary and extenuating circumstances.

SENATOR LAUTENBERG: How does the Commission collect data on specialized carriers?

ANSWER: The Commission collects data from Class I and Class II specialized carriers on Annual Report Form M. This is the same report form required of general freight carriers. Specialized Class I carriers also file quarterly Form QFR, as do general freight carriers.

SENATOR LAUTENBERG: If the Commission does not collect data on specialized carriers, how does it exercise oversight?

ANSWER: The Commission collects data on specialized carriers in Annual Report Form M, the same report form required of general freight carriers.

SENATOR LAUTENBERG: The earlier decision in Docket No. 38904 would have made the uniform system of accounts for motor carriers a reference instead of a prescribed system. Why?

ANSWER: The uniform system of accounts is a highly detailed and complex accounting system which has served as the basis for financial reporting to the Commission. It follows generally accepted accounting principles (GAAP), although in considerably more detail than GAAP requires. Our decision in No. 38904 would greatly reduce reporting by condensing data to a level of aggregation where carriers could simply follow normal GAAP procedures in reports to the Commission. Consequently, it would no longer be necessary to burden carriers with the requirement to maintain the detailed accounts in the uniform accounting system. Rather than eliminate the system entirely, however, we chose to have it serve as a reference guide for those carriers and others which may find it useful.

SENATOR LAUTENBERG: Without specific rules on how to account for activities, how would the Commission or Congress compare carrier performance?

ANSWER: The financial statements filed with the Commission would be prepared according to generally accepted accounting principles. This would allow for valid comparisons of operating results and financial condition.

RAILROAD DATA

SENATOR LAUTENBERG: This committee in the report accompanying the fiscal year 1988 appropriations bill requested FRA to report on Class II and Class III railroads including:

an estimate of the traffic that would be diverted from rail to highway if these railroads ceased operation;

an accounting of the actual mileage of lines transferred to create new Class II and Class III railroads since the enactment of the Staggers Rail Act of 1980;

an estimate of the miles of line currently owned by Class I railroads that are likely to be transferred to new or existing Class II or Class III railroads;

a survey of Class II and Class III railroads that have failed since 1980, together with an analysis of factors that contributed to failures.

Does the Commission have data on any of the above items? If so, which ones? If so, provide the data for Committee and FRA use.

ANSWER: The Commission has compiled data on the Class II and III railroads created since the Staggers Rail Act. This information was obtained by surveying each new carrier and developing a data base to monitor the growth of the short line and regional railroad industry.

From 1980 through September 30, 1987, approximately 200 new railroads were formed. Of these start-ups, 177 separate rail lines were operating as of September 30, 1987 (see discussion that follows of 21 other lines). Summary data for these lines are as follows:

	Short Lines	Regionals	Total
Number Formed	165	12	177
Carloads/year	671,337	729,622	1,400,959
Mileage	7,177	6,439	13,610

In addition, 41 railroads have filed exemptions between October 1, 1987, and May 11, 1988. We have not yet developed a data file on these new carriers due to their recent start up. However, we do know that they operate 2,285 miles of track.

The Class I railroads are not required to report data on potential short line sales. However, several carriers have publicly discussed plans to streamline their systems through both abandonment and short line sales. Additionally, most of the Class I railroads have developed short line sales departments to more effectively market these line sales.

In our continuing monitoring efforts, the Commission has identified twenty-one new carriers whose operations have been taken over or ceased altogether. Thirteen were taken over initially by other short lines, and eight of these are now owned by States, counties, or other public authorities which typically lease their lines to private operators. Some public owners have terminated their leases with the original short lines, due to mismanagement or other performance problems, and have leased the lines to new operators.

Only eight of the twenty-one identified carriers ceased service altogether. Five of these had taken over former lines of bankrupt railroads, and the other three had begun service on previously abandoned track. Not surprisingly, most of these eight were plagued by low traffic levels and poor trackage, and in several cases problems intensified when the line's major shipper went out of business.

SEPARATE EXPRESSION OF COMMISSIONER LAMBOLEY: In my view, the Commission data study on Class II and III rail carriers is not adequate. This has become particularly true with the discontinuance of R-Z report filings.

A copy of my separate expression submitted to Senate Commerce Committee reviewing short line railroads is attached.

OFFICE OF VICE CHAIRMAN LAMBOLEY

DRAFT STATEMENT ON SHORT LINE RAILROADS

October 16, 1987

MEMORANDUM TO CHAIRMAN GRADISON:

I object to the draft testimony proposed for the Senate for the same reasons submitted in support of objection to House testimony.

Please show me with the following separate comments.

Paul H. Lamboley

cc: All Commissioners
Director Jordan

VICE CHAIRMAN LAMBOLEY, commenting:

In testimony previously submitted, I have expressed concern about certain deficiencies in the survey results then reported on short line and regional railroads. The Commission has been updating this information. However, the present testimony perpetuates my concern because of apparent omissions.

First, the survey results fail to acknowledge and include significant factual information contained in the records of Ex Parte No. 392 (Sub-No. 1)[1]/ and its progeny of exemption cases. Nor does it, in fairness, include relative discussion of competitive access cases involving application of Ex Parte No. 445 (Sub-No. 1).[2]/

1/ Ex Parte No. 392 (Sub-No. 1), Class Exemption for The Acquisition and Operation of Rail Lines Under 49 U.S.C. 10901, 1 I.C.C. 2d 810 (1986).

2/ Ex Parte No. 445 (Sub-No. 1), Intramodal Rail Competition, served October 31, 1985.

Second, previous testimony reported a continuing study of short and regional rail lines. This updated report, as did its predecessor, fails to include meaningful profile information concerning carrier finances, traffic and operations, asset sales and abandonments or the impact on employment and employee displacement. In addition, there is an absence of comparison of advantages and disadvantages for the respective parties in these transactions. Reporting requirements (similar to the discontinued R-2 filing) for such carriers would provide a better data base not only for this agency, but the industry itself, finance markets, shippers and Congress.

Third, this updated report fails, as did the prior survey, to demonstrate an effort to include comment from labor interests on the significant issues of employee displacement.

By way of general observations concerning short line and regional railroads, I submit the following comments.

In the past, I have joined in the Commission's efforts to encourage and facilitate development of short line and regional railroads under the auspices of the class exemption in Ex Parte No. 392 (Sub-No. 1). However, I have been concerned about the process and substance of this exemption. Now, certain procedural and substantive concerns initially noted in the development of our decision in that case have now become more problematic in subsequent applications.[3/] This class exemption has grown to be more contentious across an ever-widening scope of interests.

[3/] See separate expressions, Commissioners Lamboley and Simmons to Ex Parte No. 392 (Sub-No. 1) supra, Footnote 1.

Since the adoption of the class exemption in Ex Parte No. 392 (Sub-No. 1) the records of cases claiming exempt status increasingly evidence significant departure from, and expansion in, the size and scope of transactions originally contemplated. Frequently, transactions now go well beyond the dimension of any case histories upon which the class exemption findings and conclusions were initially premised.

Indeed, under the holding in Ex Parte No. 392 (Sub-No. 1), exemptions were recently permitted in two major transaction cases: one involved the sale and transfer of some 1900 miles of rail lines and facilities in 4 states, the consequence of parallel acquisition of Milwaukee Road property by the Soo Line[4]/; and the other involved the sale and transfer of substantially all of the rail assets combined with the termination of operations and employment of an entire railroad enterprise, leaving in its wake, the seller as an admitted insolvent corporate entity[5]/.

These two cases found eligible for class exemption geometrically expand the reach of transactions which this agency exempts from review. No class exemption cases before bear any similarity to these transactions. The criteria and limiting

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[4]/ Finance Docket No. 31102, Wisconsin Central - Ltd. - Exemption Acquisition and Operation-Certain Lines of Soo Line Railroad Co., served October 14, 1987.

[5]/ Finance Docket No. 31121, P&LE Railco, Inc.-Exemption Acquisition and Operation Lines of the Pittsburgh and Lake Erie Railroad Company and the Youngstown and Southern Railway Company; Finance Docket No. 31122, Chicago West Pullman Corporation-Continuance in Control Exemption-P&LE Railco, Inc., and - Control Exemption - The Pittsburgh, Chartiers and Youghiogheny Railway Company; Finance Docket No. 31126, Railway Labor Executives' Association v. Pittsburgh & Lake Erie Railroad Co., et al., served September 29, 1987.

language of Ex Parte No. 392 (Sub-No. 1) excluded such transactions from class exemption. Now, however, the recent majority decisions evidence there is no limit to transactions elligible for class exemption and thus no limit to those excluded from review.[6]/

In class exemption cases, the 7-day effective date of notice and the limited information disclosure, coupled with the Commission's predeliction to deny stay[7]/, has proven most difficult in relation to regional railroads. Further, as a transportation matter, the carrier/non-carrier distinction in exemption cases seems a fiction of form over substance in most cases.

If the promise of continued rail service is to be a reality, financial viability and realistic business plans are critical. This is particularly true if one bears in mind that these lines are already only marginally profitable, and subject to both deferred maintenance and existing diversion of traffic.

6/ Comparison of various decisions in these cases as well as the reopening of Ex Parte No. 392 (Sub-No. 1) at this time evidence a lack of consistency. In neither case did the specific facts or equities require a finding of class exemption status, other than the applicants' bare claims to such status. Dissolution of stay absent material change in circumstances, suggests little more than change of mind. Moreover, granting class exempt status with arguable loss of jurisdiction and conversion of activity lawful under one statute to unlawful under another without Commission review is inappropriate and unwarranted.

7/ See Ex Parte No. 392 (Sub-No. 1), Class Exemption for the Acquisition and Operation of Rail Lines Under 49 U.S.C. 10901, Decision and Notice served April 17, 1986 and Finance Docket No. 30891, Paducah & Louisville Railway, Inc.-Acquisition and Operation Exemption-Illinois Central Gulf Railroad Company, served May 11, 1987; Kiamichi Railroad Company, Inc.-Exemption Acquisition and Operation - Certain Railroads of Burlington Northern Railroad Company, (not printed) served July 22, 1987.

Unfortunately, in the few cases in which factual information has been made available, it is evident that these purchase transactions are highly leveraged, creating substantial debt. Equally unfortunate in some cases, is that the impact of debt service requirements on needed revenues and rate structures have not been altogether realistic. Rather, many traffic and revenue projections have proven to be overly optomistic. Obviously then, continued or new rail service at reasonable rates becomes imperiled.

Additionally, there is some evidence of immiment failures. Partial abandonments or sale of operating assets for debt service represent unacceptable alternatives or solutions for continuing business operations. "Breakup" value for buyers are almost non-existent in these transactions.

There is also evidence that rehabilitation and maintenance costs are underestimated, notwithstanding financial assistance from shippers, as well as state and local government entities.[8]/

Likewise, crucial to marketing plans for the newly formed carriers is access, whether by rate or by physical use of facilities. In two recent cases under Ex Parte No. 445 (Sub-No. 1) the Commission's application has been restrictive, and ultimately denied relief for physical access, requested by a shipper and carrier in one instance, and for suspension and

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8/ See e.g. AB-281X, Texas North Western Railway Company - Abandonment and Discontinuance of Service Exemption - Hansford and Hutchinson Counties, TX, Texas County, OK, and Seward County, KS, served August 19, 1987, and Finance Docket No. 30915, Otter Tail Valley Railroad Company - Acquisition and Operation Exemption - Burlington Northern Railroad Company, served August 28, 1987.

investigation of cancellation of joint rates, requested by shippers and carriers in another.[9]/

Several exemption cases reflect that sale transactions include "tie-in" agreements by which the selling carriers restrict, in a variety of ways, the acquiring carriers' flexibility for independent price/service options over traffic connections and markets.[10]/

Finally, regarding employment and employee displacement issues, I continue to be disappointed by the Commission's approach in almost all cases which now routinely deny imposition of protection conditions on either buyer or seller in exemption transactions. The majority's failure to consider and fashion appropriate conditions in these cases closes this forum to the opportunity for constructive resolution of issues that have broad economic and social impact, not only in the near term of the specific transaction, but also in the long term for their cumulative effects.[11]/

In my view, and that of other's, the majority decisions too frequently fail to provide a fair analysis of the factual record, particularly as to the benefits and burdens of the

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[9]/ Docket No. 30921, Midtec Paper Corporation v. Chicago and North Western Company, ___I.C.C.2d ___, served December 15, 1986, and Suspension Case No. 71380, Cancellation of Joint Rates/Routes on Synthetic Plastics, Conrail.

[10]/ Finance Docket No. 31089, Montana Rail Link, Inc.-Exemption Acquisition and Operation-Certain Lines of Burlington Northern Railroad Company, served July 31, 1987 and Finance Docket No. 30915, Otter Tail Valley Railroad Company-Acquisition and Operation Exemption-Burlington Northern Railroad Company, served August 28, 1987; also Docket No. AB-1 (Sub-No. 177), Chicago and North Western Transportation Company-Abandonment and Discontinuance of Service - In Fond Du Lac County, WI., served July 29, 1987.

[11]/ See e.g. dissents in Appendix A attached.

respective parties in each instance, and to then provide a reasoned articulation of the factors weighed and balanced in reaching decision.[12]/

In sum, while the future prospects of short line and regional railroads should indeed be portrayed as bright and encouraging, the assessment should also be tempered by a degree of realism gleaned from actual case experiences.

12/ See e.g., judicial reversal and remand in Railway Labor Executives Assn. v. I.C.C., 784 F2d 959 (9th Cir. 1986) and Railway Labor Executives Assn. v. I.C.C. ___F2d___ (9th Cir. Case No. 86-7384 decided August 19, 1987).

SENATOR LAUTENBERG: Does the Commission have formal or informal filing requirements for Class II and Class III railroads? If so, what are they?

ANSWER: The Commission has exempted Class II and III railroads from many of the filing and reporting requirements that apply to Class I railroads. The Office of Transportation Analysis, however, maintains a monitoring effort by periodically surveying these carriers to obtain updated information regarding operations.

SENATOR LAUTENBERG: Since there seems to be a strong trend for Class I railroads to spin-off lines, thereby creating Class II and Class III railroads, does the Commission believe it should collect data on these new entities?

ANSWER: In December 1980, the Commission waived the accounting and reporting requirements for Class II and III railroads. In February 1986, the Commission issued a class exemption from acquisition and operation regulations for short line sales to non-railroad entities. Additionally, the Commission has testified that it supports the growth in short line carriers as a viable alternative to abandonment. In light of this, the Commission does not believe it should impose any burdensome reporting requirements on these new entities, but rather continue its monitoring through a periodic survey approach.

SEPARATE EXPRESSION OF COMMISSIONER SIMMONS: While I agree that Class II and III railroads should be exempted from many of the filing and reporting requirements that apply to Class I railroads, I do believe that the Commission has more of a responsibility than it has assumed in overseeing the financial and operational health of these smaller carriers. Instead of the sporadic monitoring now which provides very little useful information on the health of these carriers, I would encourage an annual monitoring system conducted by staff. This review system need not be onerous and could include information on revenues, carloads and track conditions. An informed Commission could comment on the industry intelligently rather than espouse

grandiose statements without sufficient data. While failures in the industry are to be expected, the Commission is often unaware of the financial problems many of the recent new larger carriers are experiencing.

SENATOR LAUTENBERG: How does the Commission monitor these railroads?

ANSWER: The Commission monitors these railroads on an informal basis through several approaches. First, we maintain a close liaison with State departments of transportation, which keep us apprised of any unusual activities in their States concerning new short lines. Second, we maintain a closer look at those carriers with traffic levels greater than 10,000 carloads per year. With these carriers, we review monthly complaint data filed with our Office of Compliance and Consumer Assistance, and accident data maintained by the Federal Railroad Administration's Office of Safety. Third, we monitor those carriers whose operations, financing, labor relations, or other characteristics have resulted in unusual controversy and/or publicity. Finally, we supplement these efforts by reviewing various statistics generated by the industry itself (submitted to the Association of American Railroads); these include data covering number of employees, annual carloads, track miles, revenues, etc. All these efforts allow the Commission to maintain careful monitoring of the short line industry without creating a regulatory burden.

SEPARATE EXPRESSION OF COMMISSIONER SIMMONS: I am not satisfied with the Commission's monitoring efforts in this area. They are too infrequent and staff has no guidelines or standards to employ in conducting any monitoring activities. The Rail Transportation Policy requires the Commission to help promote a sound, economical and efficient rail system, yet, because we ourselves lack crucial data or information on the progress of many of these carriers, we cannot comment intelligently to the public or Congress on the conditions of this still growing industry. Any increased monitoring effort could be conducted without burdensome regulations. Field people within the Office of Compliance and Consumer Assistance can gather necessary information by visiting many of these companies. They can also question state officials and shippers served by these carriers.

SENATOR LAUTENBERG: How does the Commission ensure that these new entities have the necessary resources to provide service and run a safe operation?

ANSWER: Since the Commission has issued a class exemption to acquire and operate new rail lines, the entry requirements for these new carriers are minimal. We have determined that these transactions are limited in scope or that regulation is not necessary to maintain the National Transportation Policy. We rely on three other factors as well: (1) that the selling railroads have a vested interest in ensuring that the sale will be to a viable new carrier who will interchange future traffic with the seller; (2) that purchasers and their financial backers have a vested interest in the new operation's success, and (3) that the Federal Railroad Administration's safety regulations help to identify carriers experiencing operational difficulties.

SEPARATE EXPRESSION OF COMMISSIONER SIMMONS: With experience, it is now clear that application of the class exemption to all acquisitions despite the potential size of the new carrier has aroused anxiety among many communities and shippers. Additionally, the impact of these transactions on legitimate employee interests has become a more pressing issue. Indeed, use of the exemption in these large transactions has only inspired greater concern because of a lack of information provided in the notices of exemption to the Commission and the public. The scant information contained in the notice requirements has proven to be inadequate to support the necessary findings under section 10505; in fact, reviews of whatever evidence of record we have received in many of these cases have raised troubling questions. The sheer scope of these transactions in terms of mileage, markets, potential revenues, and employee impact should warrant careful consideration of the viability of the new carriers. Acquisitions involving large leverage buyouts could impair the new operators' ability to reinvest funds into upgrading the line's condition. Moreover, significant issues have been raised regarding agreements which impose conditions on buyers by the selling carriers which restrict their ability to compete for certain traffic and markets or interline with other carriers. These operational restrictions contradict the essential purpose of the class exemption; that is, to foster financially sound carriers with complete freedom to compete and provide unrestricted service.

SEPARATE EXPRESSION OF COMMISSIONER LAMBOLEY: I continue to believe that the Commission has a responsibility to consider the financial viability of a new shortline railroad when the proposed sales transaction is before us for approval. This consideration necessarily entails requiring the filing of meaningful information on financial condition and viability, operational plans, traffic or market agreements and employee impact. Encouragement for establishing shortline and regional railroads flows from a demonstrable need and intention to provide continued rail service by new efficient, effective operators over rail lines that trunk carriers have previously determined to be marginally profitable. These entrepreneurs must be financially viable to make the promise of continued service a reality. The public interest is not served by attempts to mask abandonment or front a shortline; nor by conduct which closes gateways or limits competitive access to facilities or markets by agreement or rail line impairment.

Please see my separate expressions in Ex Parte No. 392, Class Exemption for Acquisition and Operation of Rail Lines Under 49 U.S.C. 10901, served February 29, 1988; F.D. No. 30915, Otter Tail Valley Railroad Co. - Acquisition and Operation Exemption - Burlington Northern Railroad Company, served July 2, 1987; and F.D. No. 31102, Wisconsin Central Ltd. - Exemption Acquisition and Operation of Certain Lines of Soo Line Railroad Company, served October 8, 1987.

RAILROAD ACCOUNTING PRINCIPLES BOARD RECOMMENDATIONS

SENATOR LAUTENBERG: On March 29, 1988, the Commission reported to the Committee on the actions taken to implement the Railroad Accounting Principles Board's (RAPB) principles. The letter suggested that the Commission's actions will implement all of the Board's suggestions and recommendations, but questions remain.

The asset base is a key determinant in the calculation of revenue adequacy. The Commission's use of predecessor cost, instead of acquisition cost, understates the return on investment.

Does the Commission plan to change its practice of using predecessor cost?

If not, why not?

If so, when and how will the change take place?

ANSWER: No, the Commission plans to continue to use predecessor costs in those limited circumstances where it is warranted.

Both the RAPB and the Commission have recognized that the use of acquisition cost, determined according to Generally Accepted Accounting Principles (GAAP), may not produce a meaningful regulatory measure of value under all circumstances. In particular, the RAPB noted that acquisition cost values that result from the disposition and acquisition of assets or through restructuring may be inappropriate regulatory values. The Commission agrees with the RAPB and believes that in these instances following GAAP could produce a significant harm. We have found that the asset values of some railroads, recorded at acquisition cost, reflect substantial write downs in the past, even below scrap value. As a result, they do not reflect the cost of replacing those assets. (A primary consideration of revenue adequacy is to provide sufficient revenue to allow assets to be replaced.) If we were to use these written down values in determining revenue adequacy, then the calculated return for these railroads would artificially increase, thus understating the railroad's true earnings requirements relative to the replacement cost of their assets. Revenue need, determined on the basis of written down value, could result in a rate structure that would not provide sufficient funds to allow for the replacement of assets.

SENATOR LAUTENBERG: The Commission has stated that it favors a "market based approach" to measuring revenue adequacy. Why then does it use predecessor cost?

ANSWER: The Commission has consistently favored a "market based" approach. We have used predecessor costs in those limited circumstances where the acquisition cost does not reflect the replacement value of the assets.

SEPARATE EXPRESSION OF COMMISSIONER LAMBOLEY: I view certain aspects of the measure of revenue adequacy a bit differently than my colleagues. A statement of my views in Ex Parte No. 393 (Sub-No. 1) is attached.

OFFICE OF VICE CHAIRMAN LAMBOLEY

EX PARTE NO. 393 (SUB-No.1)
STANDARDS FOR RAILROAD REVENUE ADEQUACY

EX PARTE NO. 464
RAILROAD COST OF CAPITAL - 1985

EX PARTE NO. 465
RAILROAD REVENUE ADEQUACY 1985 DETERMINATION

EX PARTE NO. 466
RAILROAD COST OF CAPITAL - 1986

May 13, 1987

MEMORANDUM TO CHAIRMAN GRADISON:

Please show me with the following separate expression.

Paul H. Lamboley

cc: All Commissioners
General Counsel Burk
Director Young
Director Mackall
Clearance Unit

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VICE CHAIRMAN LAMBOLEY, dissenting:

By Commission decision, the measure of revenue adequacy for railroads remains a single standard; i.e., a return on investment (ROI) equal to the cost of capital. Revenue adequacy is thus inextricably tied to cost of capital determination.

Consequently, I view the scope of issues in Ex Parte No. 393 (Sub-No. 1),[1./] Ex Parte No. 464,[2./] Ex Parte No. 465,[3./] and Ex Parte No. 466 [4./] as likewise substantively and essentially interrelated. I disagree with the Commission's approach which compartmentalizes and bifurcates proceedings that by their very nature are integrated and involve issues that should be contemporaneously under review. At this time, I believe these proceedings should

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1. / Ex Parte No. 393(Sub-No.1) Standards for Railroad Revenue Adequacy, (Notice Not Printed) Served June 5, 1986.

2. / Ex Parte No. 464, Railroad Cost of Capital - 1985, (Not Printed) Served March 16, 1987.

3. / Ex Parte No. 465, Railroad Revenue Adequacy - 1985 Determination (Not Printed) Served March 18, 1987.

4. / Ex Parte No. 466, Railroad Cost of Capital - 1986 (Not Printed) Served March 16, 1987.

have been consolidated for consideration. For that reason, I have chosen to summarize my views in a single, separate expression applicable to each proceeding.

1. BACKGROUND: EX PARTE NO. 463 - RAILROAD REVENUE ADEQUACY - 1984 DETERMINATION

In Ex Parte No. 463,[5./] we issued our revenue adequacy determination for 1984. In doing so however, we expressly noted apparent flaws in the standard employed and a lack of confidence in resultant findings. Because of our concerns and the importance of revenue adequacy as a matter of substantive policy, as an evidentiary standard and as a rate constraint, we stated our intention to promptly reopen Ex Parte No. 393 to expeditiously re-examine our criteria and methodology for measuring revenue adequacy.[6./]

We also concluded that as an interim measure pending review, we would rely on the present single standard approach for purposes of administering ZORF.[7./] However, in rate reasonableness cases, we stated that we would not treat 1984 findings as determinative or conclusive of a carrier's revenue adequacy unless no other evidence relevant to the issue was presented. We expressly held that in cases where records were open, we would accept "all competent, probative evidence relevant to a carrier's revenue adequacy which the parties may submit," and that such evidence "may include various financial indicators or measurements for which the parties provide justification."[8./] And finally, noting our concern for the time lapse in annual updates, we stated that steps were being taken to ensure that more timely determinations may be made to reflect current conditions.

With reference to concerns expressed in Ex Parte No. 463, the Commission in Ex Parte No. 393 (Sub-No.1) promptly issued a new notice seeking comment on a broad range of issues, specifically including cost of capital.[9./]

5./ Ex Parte No. 463, Railroad Revenue Adequacy - 1984 Determination (Not Printed) Served May 1, 1986.

6./ Ex Parte No. 393 Standards of Railroad Revenue Adequacy, 364 ICC 803 (1981).

7./ Rate adjustments within zone of rate flexibility (ZORF) available to carriers not revenue adequate. 49 U.S.C. Sec. 10707a(d)(3)(A).

8./ Ex Parte No. 463, supra, Decision p.5.

9./ Ex Parte No. 393 (Sub-No.1), supra, Notice, served June 5, 1986 pp. 17-19.

It is at this juncture that my views separate from the majority of my colleagues.

2. EX PARTE NO. 393 (SUB-NO.1), STANDARDS FOR REVENUE ADEQUACY [10./]

(a) Multiple Factors: Despite the Commission's apparent desire to utilize single standard measure, I find no persuasive reasons why in so doing, we cannot at the very least, consider multiple factors as a supplement or complement to the single standard, and for comparative purposes, as benchmark checks for evaluating the results in light of other industry sectors.

The fact that use of multiple factors may require the exercise of discretionary judgments is not grounds for rejecting their use. There is no explicit or implied statutory requirement for use of a single standard. Indeed, if there were a "bright line" objective measure for revenue adequacy, our present admittedly flawed single standard approach has not necessarily been it.[11./]

Moreover, by contrast, our measurement of the financial condition of motor carriers utilizes multiple factors in a variety of regulatory applications. For example, in rate making and self-insurance cases, we do not limit our review to a single standard. Rather, we consider various factors such as ROI, ROE, operating ratio, liquidity and solvency structure, assets/liabilities/networth and cashflow. In so doing, we have noted that ROE provides a fair measure of financial performance and profitability on investment. It likewise facilitates comparability with industries both within and without the transportation sector.[12./]

Accordingly, I favor the admission and consideration of other multiple factors as a supplement or complement to any single standard, as well as for purposes of comparability. To the extent that a revenue adequacy determination for a specific carrier is at

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10./ Ex Parte No. 393 (Sub-No.1) supra, served December 31, 1986.

11./ Interestingly, in 1980 the ICC staff recommended a multiple factor approach it now disavows. Open Conf. of October 7, 1986, Tr. pp. 6-8. Prior to 1980, multiple factors were used to measure revenue adequacy. See Ex Parte No. 338, Establishment of Adequate Revenue Levels, 358 ICC 884 (1978), 359 ICC 270 (1978). See also Ex Parte No. 353, Adequacy of Railroad Revenue - 1978 Determination, 362 ICC 198 (1978) reopening denied 362 ICC 794 (1980); Ex Parte No. 363, Adequacy of Railroad Revenue - 1979 Determination, 362 ICC 344 (1979).

12./ See Ex Parte No. MC-82, Procedures In Motor Carrier Revenue Proceedings, served December 24, 1981; 49 U.S.C. Part 1139; No. MC-95876, Anderson Trucking Service Inc., Served January 5, 1987

issue in a rate reasonableness case, I continue to favor the submission and consideration of such other additional financial evidence relevant to the measure of that carrier's revenue adequacy. We previously approved this approach as an interim measure in Ex Parte No. 463, supra.

(b) Single Standard - Cost of Capital:

As noted earlier, we expressly noticed our intention to re-examine the components of the cost of capital formula as a part of our review of revenue adequary criteria.[13./] However, we did not do so and deferred action on that issue for consideration in Ex Parte No. 464. But, as is later pointed out, we have further deferred action to Ex Parte No. 466 for additional comment. I am disappointed by our now apparent unwillingness to evaluate this issue concurrently with our review of standards for measuring revenue adequacy.

(c) Depreciation Accounting:

In order to avoid double expensing problems, I believe transition rules similar to those adopted by IRS should be utilized in implementing the change-over to depreciation accounting.

(d) Revalue property proposed or considered for abandonment at liquidation value

I favor the write-down of property intended for abandonment in order to adjust for overstatement of value. The Commission's studies of depreciation on investment intended to review track structures every 3 years, and equipment every 6 years, is admittedly behind schedule, and thus not current.[14./] Consequently, absent depreciation adjustment, overstatement problems continue.

(e) Embedded Cost v. Current Cost:

I favor using embedded cost of debt in calculating cost of capital.

From the record evidence, I am persuaded that the present method using current rather than actual costs (1) tends to assign higher values to assets, (2) is not consistent with other general financial and accounting practices, (3) makes comparisons with other

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13./ See Decision, p.5, Ex Parte No. 463, supra.

14./ Voting Conference, October 7, 1986, Tr. pp. 53-54

industries difficult, (4) could produce windfalls, and (5) generally results in making revenue adequacy more difficult to achieve, thus requiring higher revenue. The potential for distortion of results is thus fairly apparent.

Additionally, problems inherent in this approach flow from the fact that current costs fluctuate annually, and that methods using composite estimates on industry wide basis are calculated from weighted debt/equity cost ratios from a sample of 6 major rail systems not all Class I railroads. Moreover, current cost of debt estimates include estimates of yields in less quantifiable secondary markets.

(f) ROI Calculation for Rail-Related Affiliates:

I believe that Class I revenue adeuqacy determination should include the results of rail-related affiliates.

Options presented regarded evidence of "affiliate control" from equilavents of 20% to 50% stock ownership. Testimony reflected that control influence may flow from as little as 10% interest. Justice Department Antitrust Guidelines observe that a 5% interest may be sufficient to exercise effective control. The Commission itself has held that influence or control is a question of fact, not necessarily determined by percentage of stock ownership.15./

I am satisfied that at least a 20% interest may generally be considered prima facie evidence of control for inclusion purposes. Evidence of control other than stock ownership of less than 20% should be permitted in appropriate cases.

(g) Holding Cos. Subsidiaries Supporting Rail Operations:

The record is not adequate for decision but I am inclined to favor inclusion of such results.

The Commission's conlgomerate study in 1978 16./ suggests reasons to do so, as do our periodic reviews of transactions with affiliated companies from R-1 schedules. Moreover, the growth of intermodal initiatives will, no doubt, add new dimension to this aspect of revenue adequacy.

15./ Voting Conference, Tr. pp. 72-73; U.S. Dept. of Justice Merger Guidelines pp. 15, 28.

16./ Railroad Conglomerate and Other Corporate Structures, ICC Report, February 5, 1977.

3. EX PARTE NO. 464, RAILROAD COST OF CAPITAL - 1985, and EX PARTE NO. 466, RAILROAD COST OF CAPITAL - 1986.[17./]

At this time, I cannot join in publishing a cost of capital for 1985, nor in instituting a proceeding to determine cost of capital for 1986. Given recent results in determining revenue adequacy, the Commission is essentially now convinced that the basic methodology is flawed. In our penchant for fragmenting issues and proceedings which by their very nature are substantively and essentially interrelated, we should not overlook or disregard what may be fundamental deficiencies in methodology. However, we seemingly do so.

In Ex Parte No. 393 (Sub-No.1), although noticing an intention to reexamine revenue adequacy and cost of capital criteria, we did not examine cost of capital. Rather, we deftly put that off for consideration in a separate proceeding, Ex Parte No. 464, Railroad Cost of Capital - 1985.

In turn, in Ex Parte No. 464, we again defer and excuse re-examination of cost of capital because the parties commenting did not offer specific direction on what to do. I am concerned that implicit in this action is the apparent admission that absent such direction, we ourselves are literally unable to analyze the issues and recommend adjustments where appropriate.

However, in Ex Parte No. 466, Railroad Cost of Capital - 1986, the door was again opened for future examination of cost of capital by virtue of inviting comment on the subject in notices anticipating cost of capital determination in subsequent years, and reiterating a request for comment on procedures to make more timely cost of capital determinations. Thus, in Ex Parte No. 466, the notice, after a brief background explanation, invites comment on cost of capital methodology and its timeliness.

Because of apparent flawed methodology, the Commission promised to undertake review of cost of capital as a part of its examination of revenue adequacy standards in Ex Parte No. 393 (Sub-No.1). During the course of review in Ex Parte No. 464, the Bureau of Accounts had expressed concerns over certain apparent problems

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17./ Ex Parte No. 393 (Sub-No.1) Standards for Railroad Revenue Adequacy, (Not Printed), Served December 31, 1986.

Ex Parte No. 465, Railroad Revenue Adequacy - 1985 Determination, (Not Printed), Served March 18, 1987.

before the 1985 cost of capital determination. Despite its expressions of concern, the Commission seems unable or unwilling to re-examine the cost of capital methodology and timeliness for itself, with or without comment.

In my view, because the adoption of cost of capital standard as the measure of revenue adequacy is a Commission decision, and likewise because the methodology for determining cost of capital is premised on Commission action, we should not, indeed cannot, responsibily defer or avoid re-examining for ourselves that which we have determined and now acknowledge as flawed.

Rather than perpetuate these problems, I would have withheld determination in favor of more critical analysis in this and other related records. Deferral of decision would cause and focus priority attention without prejudice to any other proceedings.

In chosing to issue a decision which is acknowledged to be flawed, I would at the very least, allow other evidence relevant to revenue adequacy and cost of capital in fairness to participants in cases involving those subject matter issues.[18./]

18./ As was done in Ex Parte No. 464, supra.

SENATOR LAUTENBERG: Has the Commission ever made a positive finding that the acquisition cost is not a meaningful regulatory measure of value? If so, when?

ANSWER: For the majority of railroads, acquisition cost has been used in our annual determinations of revenue adequacy. However, the Commission did make a positive finding that acquisition cost may not always be a meaningful regulatory measure in our 1981 Railroad Revenue Adequacy Proceeding, Ex Parte No. 439. In that proceeding we found that predecessor costs should be used to determine the revenue adequacy for 5 railroads out of a total of 37. We subsequently used predecessor values for a few railroads in each of our revenue adequacy determinations for 1982, 1985, and 1986.

SENATOR LAUTENBERG: On what basis was this determination made?

ANSWER: The Commission determined that the use of predecessor costs for a few railroads, whose investment bases had been substantially written down as a result of acquisition or reorganization, would produce returns that would be incompatible with the majority of railroads. This decision was made because the recorded asset values reflected an acquisition cost which was not market based and produced, therefore, an asset base not comparable with those of the other railroads.

For major rail systems, the difference between predecessor and acquisition cost for revenue adequacy determination is minor,

except for Conrail. The legislation authorizing the recent sale of Conrail statutorily precludes us from using acquisition cost for this purpose as well.

SENATOR LAUTENBERG: Is the acquisition cost, that is, what an acquiring railroad paid for the assets of another railroad, a good measure of value? If not, why not?

ANSWER: Acquisition cost is normally a good measure of market value and we would usually employ it in making regulatory decisions. However, there are circumstances where its use in regulatory decision making could produce erroneous results. In some instances, use of acquisition costs in return on investment calculations would infer a level of revenue need that would not allow for the replacement of asset, a major objective of regulatory policy.

SENATOR LAUTENBERG: Both the GAO and the RAPB have suggested that the Commission review the change-over to depreciation accounting that resulted in asset base write-up. What are the Commission's plans in this area?

ANSWER: The Commission has not made a determination in this matter.

SENATOR LAUTENBERG: Have interested parties' comments or suggestions been considered in this matter? If so, how? If not, why not?

ANSWER: The comments and suggestions of the interested parties were initially considered by the Commission in Docket No. 36988, Alternative Methods of Accounting for Railroad Track Structures, 367 I.C.C. 157 (at page 173) and more recently in Ex Parte No. 393 (Sub-No. 1), 3 I.C.C. 2nd 261 [1986] (at pages 284 through 288).

SENATOR LAUTENBERG: Is the Commission planning to review the change to depreciation accounting for financial reporting as suggested by the RAPB in volume 2, page 49? If so, when? If not, why not?

ANSWER: The Commission has not made a determination in this matter.

SENATOR LAUTENBERG: Does the Commission plan to develop any individual railroad cost of capital estimates?

ANSWER: The Commission has no plans to develop cost of capital estimates for individual railroads.

SENATOR LAUTENBERG: Does the Commission plan to develop any individual railroad cost of capital estimates?

If not, why not?

If so, under what circumstances would this be done?

ANSWER: The Commission believes, as does the RAPB, that an industry-wide rate offers several advantages over an individual carrier rate when used in a revenue adequacy context. First, an industry-wide rate provides an incentive to manage efficiently. A well-managed railroad is able to attract capital at less than the average rate, and retains some of the benefits of its low cost of capital rate when the average rate is used to determine revenue adequacy. There is an incentive, therefore, for railroads to become more efficient, especially those with high cost of capital

rates. Second, the use of an average rate makes the cost of capital estimate more reliable, since the margin of error associated with estimating an individual railroad's cost of capital can be significant. The use of a group average rate, therefore, tends to mitigate any estimation errors. We would add also that there is a practical problem with estimating the cost of capital for some railroads. Since some railroads have stock that is not publicly traded, there is no readily available means to determine the market value of the equity investment in those railroads. This presents a problem because our rules require that the capital structure ratio used for estimating the cost of capital is based on the market value of debt and equity investment.

SENATOR LAUTENBERG: What percent of railroads' traffic operates above the revenue to variable cost ratio of 180 percent?

ANSWER: We estimate that between 15 and 20 percent of United States rail traffic moves at revenue to variable cost ratios in excess of 180 percent. These estimates are based on results of the costed railroad waybill sample. This is a statistical sampling of rail movements which contains revenue and estimated movement cost data.

SENATOR LAUTENBERG: The RAPB recommended the Commission use the "market cost of capital" instead of the "embedded cost of debt." Has the Commission thought of making this change?

ANSWER: The Commission has used the "market cost of capital" for revenue adequacy findings since the 1981 determination. The RAPB's principle on cost of capital calls for use of market values for other regulatory applications as well. In light of this finding, we are considering making this change for the general purpose costing systems and will solicit comments from interested parties via the rulemaking process. Since the change will affect costing in general, not just the Uniform Railroad Costing System (URCS), we plan to explore this change in a rulemaking separate from that for URCS.

SENATOR LAUTENBERG: If market cost were used rather than embedded cost, the RAPB suggested a crosswalk to translate the new revenue to variable cost ratios into ratios comparable to the existing standard. What actions are being taken in this area?

ANSWER: The Commission agrees that a crosswalk may be necessary to maintain continuity between the threshold established under Staggers and changes recommended by the RAPB. We are studying the ways the RAPB suggested such a transition could be constructed. Commission staff is also looking for other alternatives. Whatever transition methodologies are developed will be released for public comment.

SENATOR LAUTENBERG: As additional short line/regional railroads develop, the demand for competitive access will increase. Briefly state the Commission's policy on pricing competitive access.

ANSWER: The formation of short-line and regional railroads has not resulted in disputes over joint rates, reciprocal switching, or other forms of competitive access. The absence of disputes on this issue is explained by the fact that the typical newly-formed small railroad provides valuable feeder and

distribution services that complement rather than compete with the services of the larger railroads. Most of the operators of these new lines have established a contractual arrangement with the selling railroad which defines the access rights it has and the compensation that will be paid.

With regard to regulatory-imposed competitive access, in 1985 the Commission voted to adopt a decision in Ex Parte No. 445 (Sub-No. 1), Intramodal Rail Competition, which essentially endorsed the National Industrial Traffic League/Chemical Manufacturers Association/Association of American Railroad agreement on the conditions which would permit us to initiate a proceeding to impose competitive access in a specific situation. That agreement and our decision, however, did not address the issue of compensation. The staff has been studying the question of competitive access compensation for some time. This is an extremely complex issue which will continue to receive consideration.

SEPARATE EXPRESSION OF COMMISSIONER LAMBOLEY: I have not agreed with the approach to competitive access issues taken by a majority of the Commission whether in general or in particular as it relates to shortline/regional railroads.

In general, my disagreements have been stated in the Midtec cases; copies of which are attached.

In particular, shortline/regional railroad cases have demonstrated "tie-in" contractual arrangements with the selling Class I carriers which effectively operate to restrict access to routes and markets for shippers served by the "new carrier". See e.g., F.D. No. 31089, Montana Rail Link, Inc. - Exemption Acq. & Oper. - Certain Lines of Burlington Northern Railroad Co. (not printed), served July 31, 1987, F.D. No. 30915, Otter Tail Valley Railroad Co. - Acq. & Oper. - Burlington Northern Co. (not printed), served August 28, 1987. F.D. No. 31102, Wisconsin Central Ltd. - Exemption Acquisition and Operation of Certain Lines of Soo Line Railroad Company, served October 8, 1987.

OFFICE OF COMMISSIONER LAMBOLEY

NO. 39021

MIDTEC PAPER CORPORATION, ET AL.
v.
CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY
(USE OF TERMINAL FACILITIES AND RECIPROCAL SWITCHING AGREEMENT)

December 11, 1986

MEMORANDUM TO CHAIRMAN GRADISON:

Please show me with the following separate statement.

Paul H. Lamboley

cc: All Commissioners
General Counsel Burk
Director Mackall
Acting Deputy Director Shaw
Clearance Unit

COMMISSIONER LAMBOLEY, dissenting:

At the outset I considered the possibility that this proceeding had now evolved into two distinct cases: the first being the original 1982 complaint seeking trackage rights and/or reciprocal switching remedies under 49 U.S.C. Section 11103(a) and Section 11103(c) which case had been fully litigated in proceedings before the ALJ, the Review Board, appeal to the Commission,[1]/ and ultimately, judicial review, and the second being the one now

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1/ Midtec Paper Corporation v. CNW, 1 I.C.C. 2d 362 1985 (Midtec I).

before us on voluntary remand from the court which involves the development of a new and supplemented record coupled with the application of policy under the new guidelines adopted by the Commission in Ex Parte No. 445 (Sub-No. 1).2/

However, on further reflection and review of the record, I find the essence of the case(s) unchanged. The shipper then, and now, is seeking statutory remedy and relief under Sections 11103(a) and (c) on basically the same operative facts; seeking pro-competitive relief for not only price but, and primarily, for service options as well. In my judgment, the shipper had sustained its burden of proof initially and was entitled to relief under either Sections (a) or (c). That remains my view.

Terminal trackage rights and reciprocal switching are pro-competitive statutory remedies, and are to be liberally construed for those purposes.3/ While Ex Parte No. 445 represents a Commission effort to address "competitive access", it is not, however, co-extensive with the remedial provisions of Section 11103. It is in fact, more narrow.

As I observed in my separate expression when we adopted the rules of Ex Parte No. 445, a complainant's rights and remedies are governed by statute, and 445 rules do not obviate statutory protections or requirements. The thrust of Ex Parte No. 445 is rate prescription. In major part, it represents

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2/ Ex Parte No. 445 (Sub-No. 1), Intramodal Rail Competition, 1 I.C.C. 2d 822 (1985).

3/ The remedy of reciprocal switching contained in subsection (c) was added by section 223 of the 1980 Staggers Act to provide "an avenue for relief for shippers where only one railroad provides service." (H.R. Rep. No. 96-1930, 96th Cong. 2d Sess. 116 (1980)) The previous availability of terminal trackage rights was likewise continued. Similarly section 221 (49 U.S.C. 10901) was added to ease competitive entry.

Commission approval of a negotiated agreement reached between the AAR and NIT League as to some, but not all, issues on this general subject matter. While addressing reciprocal switching in the rate context, the Commission expressly rejected the invitation to adopt rules regarding terminal trackage rights.4/

In my view, Ex Parte No. 445, while referencing "all relevant factors" in its rule, nevertheless singularly operates on the negative side of the equation by focusing on negative conduct; that is to say, by requiring a finding of anti-competitive acts as the only premise for remedy. I do not believe 445 rules should be so confined. And more importantly, neither Section 11103 nor its precedent are so limited. In my view, the statutory remedy is positive. It seeks to ensure, protect and encourage a competitive market environment by either or both price and/or service options and is quite properly focused on the pro-competitve aspects of the national transportation policy.5/

Thus, I believe that availability of statutory relief should not be limited to, and solely predicated on, a finding of anti-competitive acts by a carrier, but may as well be based on a shipper's demonstrable need for price and/or service options

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4/ On remand the majority now blurs any real distinction between terminal trackage rights and reciprocal switching.

5/ See 49 U.S.C. section 10101a.

that are operationally feasible and practical, or necessary to provide competitive rail service.[6]/

Our decision in such matters is a balancing test, weighing both benefits and burdens respectively. The importance of competitive access is enhanced when viewed in the larger context of abandonments, mergers and acquisitions, as well as the establishment of short lines and their opportunities to succeed.

The case before us has, in fact, been influenced by both abandonments and acquisitions. Both CNW's abandonments of rail lines and Soo's acquisition of the Milwaukee Road system have had obvious influence on markets available to Midtec.

Finally, I would observe that while I would grant relief to complainants, I am not unmindful of the post-complaint efforts of the Chicago North Western to respond to complainants' concerns. This positive, constructive approach will hopefully be continued and followed by others in their own circumstances, and make more market-based solutions possible. Indeed, in this case, it is evident that litigation and the prospect for relief have had tempering influences. By contrast, I am concerned that the majority's present interpretation restructing the remedies available under section 11103 will have the opposite result.

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[6]/ See 49 U.S.C. section 11103(a) and (c). The majority, while declaring market dominance non-jurisdictional for relief, nevertheless weaves that issue back into the discussion and appendix, joined with a subtle but disclaimed product and geographic competition approach. Likewise, the majority emphasizes the limited circumstances of intermodal transportation, and seemingly ignores the clear intramodal competitive concern of statutory policy. Further, it is acknowledged that as a matter of fact, joint use and/or reciprocal switching are practicable.

SENATOR LAUTENBERG: The RAPB stated that to the extent that costs are a factor in pricing access, incremental costs should be used. Does the Commission agree that incremental costs should be used?

ANSWER: Yes. The Commission agrees with the RAPB that numerous factors, including incremental cost, should be considered in pricing access.

SENATOR LAUTENBERG: Is the Commission developing pricing guidelines for competitive access? If not, why not? If so, what actions are you taking in this area?

ANSWER: The development of pricing guidelines for competitive access is an extremely difficult task requiring consideration of the type of competitive access sought, cost and ratemaking issues, and other policy objectives which may have to be met.

The only instance in recent history of prescribing trackage rights compensation occurred not in a case under our competitive access rules but as a result of the merger of the Union Pacific-Missouri Pacific Railroads. In that case, the merger transaction provided current market values for the involved properties which eliminated one of the problems in pricing access. Most competitive access cases we expect to see in the future, however, will not be associated with a merger. Moreover, the most acute problem is to put the landlord and tenant railroads on the same footing with regard to making the necessary contribution to the plant investment. Based on our experience in the UP/MP merger, it appears that there is no fully satisfactory way of accomplishing this goal.

SEPARATE EXPRESSION OF COMMISSIONER SIMMONS: The lack of progress in developing pricing guidelines for competitive access is not due solely to conceptual and technical complexities. It also results in my view from the majority's apparent reluctance to grant any competitive access in appropriate circumstances. This reluctance was demonstrated in the majority's well-known Midtec decision and has led to support for new legislative initiatives on the competitive access issue. Until the Commission adopts more reasonable policies on granting competitive access in non-merger proceedings, I am afraid that the compensation question will remain largely academic.

SENATOR LAUTENBERG: The Commission's letter (March 29, 1988) to the Committee said that it was developing a rulemaking to implement the RAPB recommendations on the cost to be used in abandonment decisions. What is the status of that rulemaking?

ANSWER: A notice of proposed rulemaking (NPR) to implement the RAPB's findings regarding abandonment costing was served on May 13, 1988. This proceeding is docketed as Ex Parte No. 274 (Sub-No. 11A), Abandonment Regulations - Costing (Implementation of the Railroad Accounting Principles Board Findings).

Also on May 13, 1988, the Commission issued an NPR to implement the RAPB's findings regarding light density surcharge costing. This proceeding is docketed as Ex Parte No. 402, Reasonably Expected Costs (Implementation of the Railroad Accounting Principles Board Findings).

Public comment on both NPR's is due July 8, 1988. Each NPR seeks comment not only on the theoretical merits of the proposals, but also on their implications from a practical application standpoint.

SENATOR LAUTENBERG: The RAPB made a number of recommendations on how to calculate opportunity cost. Will the Commission's rulemaking on abandonment adopt these recommendations? If so, which ones will be included and which ones will not be included?

ANSWER: The NPR in Ex Parte No. 274 (Sub-No. 11A) proposes that all of the RAPB's findings regarding abandonment costing be adopted, including those relating to the calculation of opportunity cost. The NPR proposes that opportunity cost be determined using the nominal cost of capital rate and that any projected holding gains (or losses) that would accrue to the carrier from retention of the branch line assets for a one-year period be included as a reduction of opportunity cost.

Similarly, the NPR in Ex Parte No. 402 proposes that all of the RAPB's findings regarding surcharge costing be adopted. Consistent with the RAPB's findings, the NPR proposes that return on investment in surcharge cases be calculated in the same manner as opportunity cost in abandonment cases, i.e., use of the nominal cost of capital rate and the recognition of holding gains (or losses).

Public comment on both NPRs is due July 8, 1988. Each seeks comment not only on the theoretical merits of the proposals but also on their implications from a practical application standpoint.

SENATOR LAUTENBERG: One of the RAPB's specific principles was the use of "productivity" in price indices, and that a productivity adjustment be made to the rail cost adjustment factor (RCAF). Is the Commission going to apply the productivity measure it develops to the RCAF? If not, why not?

ANSWER: Since this is a matter that the Commission will consider in a rulemaking proceeding, it would be inappropriate to make a judgment on it at this time.

SENATOR LAUTENBERG: On what basis would the Commission not implement the RAPB recommendation on productivity adjustments to the RCAF?

ANSWER: The Commission has made no determination on this matter.

SENATOR LAUTENBERG: Does the Commission believe that productivity gains have been passed on to shippers due to competition?

ANSWER: Railroads are competitive with other railroads as well as other modes. There is no question that competition forces a railroad to pass along productivity gains to most of its shippers in order to retain its market share. Some shippers argue that captive shippers do not realize any monetary benefits from productivity gains. However, there has been no direct evidence on this, and rates have not kept up with inflation. Since this is true for commodities such as coal, where shippers are more likely to be captive, and for grain, where they are less likely, it appears that the benefits of improved productivity have been widely distributed.

In addition, it must be recognized that different services realize different growths in productivity; consequently, shippers of commodities in services where productivity growth is slow will realize fewer benefits than those which ship commodities in services where productivity growth is high.

SENATOR LAUTENBERG: Does this apply to captive shippers that do not have competitive alternatives? Please explain.

ANSWER: There is no question that competition forces a railroad to pass along productivity gains to most of its shippers in order to retain its market share. Some shippers argue that captive shippers do not realize any monetary benefits from productivity gains. However, there has been no direct evidence on this, and rates have not kept up with inflation. Since this is true for commodities such as coal, where shippers are more likely to be captive, and for grain, where they are less likely, it appears that the benefits of improved productivity have been widely distributed.

In addition, it must be recognized that different services realize different growths in productivity; consequently, shippers of commodities in services where productivity growth is slow will realize fewer benefits than those which ship commodities in services where productivity growth is high.

SENATOR LAUTENBERG: What is the status of the Commission's rulemaking effort on refinements necessary to make the transition from Rail Form A to Uniform Rail Costing System (URCS)?

ANSWER: The Commission is currently working on several items which must be completed prior to the release of the URCS rulemaking. These include finalizing the URCS regression procedures and developing and programming a version of URCS compatible with depreciation accounting. The initial work on the regression study is nearing completion and is expected to be ready for informal public release and comment soon. After review of the comments, the regression study will be finalized for release and comment in the URCS rulemaking.

SENATOR LAUTENBERG: What is the timetable for implementing URCS?

ANSWER: At this time we plan to implement URCS by the end of the second quarter of FY 1989, a time frame consistent with RAPB's recommendation. This is a tight schedule. Achievement of this target date assumes that since interested parties already have broad exposure to all aspects of the URCS, the timetable will not be delayed at the insistence of the parties.

NEGOTIATED RATES

SENATOR LAUTENBERG: What is the status of the National Industrial Transportation League's petition on negotiated rates?

ANSWER: A notice seeking comments on the petition was published in the Federal Register on April 25, 1988. Absent any extension, comments will be filed with the Commission by June 9.

SENATOR LAUTENBERG: What is the basis for the petition?

ANSWER: The petition is based on the experience of League members and other shippers being sued for undercharges by bankrupt trucking companies. These law suits involve claims that rates

negotiated and collected at the time the shippers' traffic moved were not the applicable rates on file in tariff form at the ICC. The League seeks a determination that it is an unreasonable practice for a trucking company to do business on the basis of a negotiated rate which it has failed to publish.

SENATOR LAUTENBERG: Are the Commission's decisions in negotiated rates non-binding and advisory?

ANSWER: The Commission's decisions in negotiated rates cases are non-binding and advisory because jurisdiction to entertain challenges to the reasonableness of motor carrier rates charged in the past or to order the waiver of past undercharges rests with the courts, not the ICC. If a carrier brings such an action in district court under 49 U.S.C. §§11705(b)(3), 11706, and the court refers the question of whether the collection of undercharges would be an unreasonable practice to the ICC, the Commission will answer the issues the court refers.

SEPARATE EXPRESSION OF COMMISSIONER LAMBOLEY: I continue to believe that Commission decisions in negotiated rates are binding and not merely advisory. Additionally, court referral is not an essential element for the exercise of our jurisdiction in disputes involving the reasonableness of rate practices and collection of undercharges representing the difference between lower, allegedly negotiated, non-tariff rates and higher, tariff filed rates. Such issues fall squarely within our primary jurisdiction and expertise to resolve.[1]/

The majority's past insistence in characterizing its decisions as non-binding and advisory has led to uncertainty relating to the Commission's negotiated rates policy and the refusal by some courts to refer these cases to the agency. These problems are largely of the Commission's own making and could easily be remedied by modifications to the majority's approach in handling negotiated rates cases.

In my view, referral may be an appropriate discretionary consideration as a matter of comity when an action is pending in a judicial forum, or a requirement as a matter of law when an automatic stay under §362 of the Bankruptcy Code applies. Only the operation of §362 requires court referral. In other instances the Commission may exercise its jurisdiction. If another action

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[1]/ See 49 U.S.C. Section 10701(a), 10704(a)(1), (b)(1) and (f); Buckeye Cellulose Corp. v. L & N R.R. Co., 1 ICC 2d 767 (1985), aff'd sub nom., Seaboard System R.R. Inc. v. United States, 749 F.2d 635 (11th Cir. 1986); MC-C-10942, Atlas Foundry & Machine Co. v. IML Freight Inc., (not printed), served April 17, 1985 (Atlas I), re-opened by decision (not printed) served October 8, 1985 (Atlas II), Ex Parte No. MC-177, NITL - Petition to Institute Rulemaking on Negotiated Motor Common Carrier Rates, 3 ICC 2d 99 (Negotiated Rates) (served October 29, 1986), clarification decision (not printed), served May 12, 1987, petition for administrative review denied by decision (not printed), served August 25, 1987; also Liberty Liquors Co. v. Ryder PIE Nationwide, Inc. (not printed), served July 9, 1987; Vice Chairman Lamboley dissenting.

is pending comity and good sense would suggest appropriate notice of intent to proceed be given the other forum.

Finally, it is appropriate to observe that since the solution to these lies within the power of the Commission, Congressional action should be unnecessary.

A copy of my separate expression in MC-177 is attached.

OFFICE OF VICE CHAIRMAN LAMBOLEY

EX PARTE NO. MC-177

NATIONAL INDUSTRIAL TRANSPORTATION
LEAGUE-PETITION TO INSTITUTE RULEMAKING
ON NEGOTIATED MOTOR COMMON CARRIER RATES

May 6, 1987

MEMORANDUM TO CHAIRMAN GRADISON:

Please show me with the following separate expression.

Paul H. Lamboley

cc: All Commissioners
General Counsel Burk
Director Mackall
Acting Deputy Director Lyon
A. Nosacek
Clearance Unit

VICE CHAIRMAN LAMBOLEY, dissenting:

I continue to believe, as I stated in my separate expression to the decision served October 29, 1986, that a court referral is not always an essential element to the exercise of our jurisdiction. The Commission may entertain a petition for redress of alleged unreasonable practices Cf. 49 U.S.C. 11705(b)(3), 11706. See also No. 37635, Buckeye Cellulose Corp. v. Louisville and Nashville R. Co., served April 2, 1985, 1 I.C.C. 2d 767-775 (1985).

OFFICE OF VICE CHAIRMAN LAMBOLEY

EX PARTE NO. MC-177

NATIONAL INDUSTRIAL TRANSPORTATION
LEAGUE-PETITION TO INSTITUTE RULEMAKING
ON NEGOTIATED MOTOR COMMON CARRIER RATES

August 19, 1987

MEMORANDUM TO CHAIRMAN GRADISON:

Please show me with the following separate expression.

Paul H. Lamboley

cc: All Commissioners
Director Mackall
Acting Deputy Director Lyon
A. Nosacek
Clearance Unit

VICE CHAIRMAN LAMBOLEY, dissenting:

For reasons stated in this and other cases, I continue to believe that court referral is not an essential element for the exercise of jurisdiction in disputes involving the reasonableness of rate practices and collection of undercharges representing the difference between lower, allegedly negotiated, non-tariff rates and higher, tariff filed rates. Such issues fall squarely within our primary jurisdiction and expertise to resolve.[1]/

Requiring referral may be appropriate in bankruptcy settings in which the stay provision of Section 362[2]/ is operative or in instances in which a collection action has begun and is judicially pending. In such cases, the "referral" vehicle is an appropriate accommodation between the judicial and

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[1]/ See 49 U.S.C. Section 10701(a), 10704(a)(1), (b)(1) and (f); Buckeye Cellulose Corp. v. L & N R.R. Co., 1 ICC 2d 767 (1985), aff'd sub nom., Seaboard System R.R. Inc. v. United States, 749 F2d 635 (11th Cir. 1986); MC-C-10942, Atlas Foundary & Machine Co. v. IML Freight Inc., (not printed) served April 17, 1985 (Atlas I), re-opened by decision (not printed) served October 8, 1985 (Atlas II), Ex Parte No. MC-177, NITL - Petition to Institute Rulemaking on Negotiated Motor Common Carrier Rates, ___ ICC 2d ___ (Negotiated Rates) (served October 29, 1986), clarification decision (not printed) served May 12, 1987; also Liberty Liquors Co. v. Ryder PIE Nationwide Inc. (not printed) served July 9, 1987; Vice Chairman Lamboley dissenting.

[2]/ 11 U.S.C.A. 362.

administrative forums having shared or concurrent jurisdiction, albeit that primary jurisdiction lies with this agency.

However, a party, upon an appropriate showing, should be able to invoke this agency's primary jurisdiction without referral and seek relief from collection of undercharges as an unreasonable practice in circumstances which involve a tariff-negotiated rates controversy and there is clear, direct and tangible evidence that the commencement of a collection action is imminent. These are controversies which, by virtue of our decisions in this proceeding[3]/ and in Buckeye[4]/ have been previously identified as raising issues of general transportation significance and which have been directed to a case-by-case dispute resolution process for each fact-bound situation presenting those issues.

As to matters within our primary jurisdiction, our general declaratory relief precedent permits this agency to exercise discretion and limit those cases we may consider to issues of general transportation import. Significantly Negotiated Rates has already acknowledged the overriding general transportation concerns regarding unreasonable practices in collection of undercharges. These cases are then merely derivative of that Negotiated Rates directive for particularized adjudication. Consistent with precedent, these cases may be properly initiated in this forum.

Moreover, declaratory relief is not the only form of remedy available. Injunctive relief and damages are potential

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3/ See Ex Parte No. MC-177, NITL - Petition to Institute Rule-making on Negotiated Motor Common Carrier Rates, supra.

4/ Buckeye Cellulose Corp. v. L & N R.R. Co., supra.

remedies as well.[5]/ Although Commission orders are not self-enforcing, final administrative action is binding and capable of judicial enforcement by this agency[6]/ or by a party in whose favor the order runs.[7]/

Further, I do not believe that Commission analysis and decisions in these matters should be deemed merely "advisory". In my view, the use of the term "advisory" undercuts the notion of our primary jurisdiction and expertise in this, and potentially other subject matter areas such as labor issues and commerce questions.

The position that our decisions are purely "advisory" provides ample opportunity for courts to decline to refer such issues. This, in turn, undercuts the rationale upon which the majority premises its denial of the petition for administrative review before us, - i.e., that a shipper can always obtain referral of such a proceeding from a court in which an action to collect undercharges is pending and, hence, there is no reason to make declaratory relief available to shippers desiring to determine the validity of their equitable defenses prior to the filing of a suit to collect undercharges.

A recent decision by the United States District Court in Motor Carrier Audit & Collection Co. v. Limited Food Service (MCAC) (Case No. 87-C-298), (D. Col. decided May 4, 1987), is illustrative of the problem. In MCAC, the court refused to stay the proceedings and refer the negotiated rates-overcharge issue to the Commission even though specifically requested to do so by

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5/ 49 U.S.C. 11701(b), 11705(b)(3) and (c)(1).

6/ 49 U.S.C. 11702.

7/ 49 U.S.C. 11705(a) and (c) (2).

the shipper. Principle among the court's reasons for non-referral was the belief that the Commission itself has admitted a lack of authority to do other than provide a "non-binding advisory opinion" to a court electing to refer the matter. MCAC provides solid evidence of a court's view of "concurrent" jurisdiction when an agency is ambivalent about its primary jurisdiction.

The majority's use of court referral as a screen to conserve administrative resources is false economy. Referral will not increase our resources available for case handling. It does, however, add to the cost/expense burden of shippers and consumers in the marketplace, not to mention the impact on judicial dockets.

Moreover, a clear expression of our claim to primary jurisdiction may deter errant collection procedures. Commercial collection law and practice in judicial forums differ from the administrative transportation law and procedure in this forum. So too, do the respective costs and expenses.

Finally, I believe that the absence of appropriate action or clarification by the Commission, in light of the MCAC decision, would now suggest that this agency is withdrawing from encouraging the development of price/service options in the market and is fostering a return to the filed tariff regulatory regimen. Current judicial precedent forecloses equitable defenses and non-filed discount practices. Buckeye and Negotiated Rates do not.

SENATOR LAUTENBERG: Does the Commission decide negotiated rate cases on a case-by-case basis? If so, why?

ANSWER: The Commission now decides negotiated rates cases on a case-by-case basis. The volume has not been so large as to consider a different approach, although we may do so in the future.

RAIL RATE CASE DECISIONS

SENATOR LAUTENBERG: How many rate case proceedings are still before the Commission?

ANSWER: As of May 9, 1988, there are 14 pending proceedings (embracing 20 cases) still before the agency for decision. One other (the McCarty Farms proceeding involving 3 cases) is awaiting the parties' computations of damages and prospective rate reductions; a final decision has been issued.

SENATOR LAUTENBERG: How does this compare to the last three years?

ANSWER: On January 1, 1986, there were 87 cases pending. Thus, we have reduced the docket by 77 percent.

SENATOR LAUTENBERG: In summary, what are the major rate case proceedings still in front of the Commission?

ANSWER: It is difficult to term some cases "major" and thus others "minor" as complainants in all consider their cases important (as do we). There are 3 proceedings involving more than one complainant.

SENATOR LAUTENBERG: Does the Commission have a timetable for clearing the remaining cases? If so, what is it?

ANSWER: We cannot provide any specific decision date estimate for many (11) of the proceedings because the records on all issues in each are not yet complete. Until we can review the completed records and the issues that are raised, we can only offer a general expectation that decisions will be reached within 8-12 months after the records close.

The records are closed in two cases, and an Administrative Law Judge is preparing initial decisions. Under the statute, he has 120 days (from the February close of the records) to do so. If appeals to those decisions are filed, they will be handled under the time limits prescribed in 49 U.S.C. 10327.

In the last case, the Commission will shortly act on the market dominance question. (Oral argument on that subject was held in November.) If market dominance is found, rate reasonableness will then be addressed. This case also involved complex mileage allowance issues which, following an order we issued in late February, the parties recently settled.

RAIL ABANDONMENTS

SENATOR LAUTENBERG: What are the most important reasons for railroads' decisions to abandon rail lines? (Truck competition, mergers, bankruptcies, etc.)

ANSWER: Historically, railroads have abandoned lines which are economically burdensome. Typically, such lines have either excessive operating costs or prohibitive track rehabilitation costs (or both), relative to the available traffic. This high cost/low revenue situation results in a marginally viable operation. The cause of the deteriorating economic situation could be truck competition, other rail competition, changes in global markets (e.g., steel production), business closings among various shippers, etc. Cutbacks in rail service are usually the railroad's initial response. Merger, abandonment, or even bankruptcy can be the eventual outcome.

SENATOR LAUTENBERG: Is it an ICC requirement that before proceeding on an abandonment case, shippers and communities be notified of available assistance? If not, should it be?

ANSWER: Railroads are required to serve a notice of intent to abandon a line upon significant shippers using the line (defined by rule in the CFR) and upon various State and Federal agencies, and must publish in local newspapers of general circulation, before proceeding with an abandonment "application." That notice must state that persons seeking information about abandonment procedures may contact the Interstate Commerce Commission's Office of Proceedings or Office of Transportation Analysis. If persons seeking information about abandonment procedures require more extensive help in preparing their cases, the Commission's Office of Public Assistance is available to aid them.

SENATOR LAUTENBERG: What assistance does or can the Commission provide the shippers and communities that face loss of service?

ANSWER: The Commission's Office of Public Assistance (OPA) routinely responds to inquiries from shippers, local communities, and State regulatory bodies concerning proposed abandonments. These groups often are unfamiliar with the abandonment process. OPA staff explains abandonment rules and regulations and helps interested parties formulate their comments for filing abandonment cases before the Commission. Where rail abandonment applications have been scheduled for oral hearings, staff may attend the hearing to assist the public in participation and to help assure that public interest considerations are fully developed on the record presented to the Commission.

To facilitate the public's understanding of the abandonment process, the Office publishes a rail abandonment booklet entitled A Guide for Public Participation in Rail Abandonment Cases Under the Interstate Commerce Act. The booklet explains the steps in the abandonment process, the issues and criteria involved, and the alternatives to abandonment; it offers practical advice to shippers and communities on how they can best preserve rail service. This publication has been widely distributed to State regulatory officials responsible for rail abandonments, all United States Senators, and to any interested party.

Shippers and local communities sometimes are interested in purchasing and/or operating a railroad or in taking other action to preserve service. The office publishes another booklet, So You Want to Start a Small Railroad, which provides information on ICC procedures for obtaining approval to operate a railroad and to make offers of financial assistance for purchasing or subsidizing lines proposed to be abandoned. The OPA staff briefs shippers on the options for entering the railroad business, the practical problems to be considered, and how to obtain financial aid. As part of this effort, OPA in conjunction with the Commission's Office of Transportation Analysis, is currently updating and expanding a publication entitled Checklist for Evaluating the Feasibility of Short Line Operations. This publication will provide practical advice on evaluating the economic costs, business and legal requirements, and other considerations involved in owning and operating a short line railroad.

SEPARATE EXPRESSION OF COMMISSIONER SIMMONS: In addition to the activities outlined above, I would set more abandonment

proceedings for oral hearing in the area where the proposed abandonment is located. Many abandonments can devastate or stifle the economies of small and rural communities. A public hearing before an impartial Administrative Law Judge could explore issues thoroughly and assure that community interest considerations are fully developed on the record.

SENATOR LAUTENBERG: Provide the amount of mileage filed and granted approval for abandonment for the past three years.

ANSWER: The following table provides the amount of mileage filed and granted approval for abandonment for the past three years.

	Number Filed	Mileage	Number Granted	Mileage*
FY - 85				
Applications	109	2,777.59	80	2,015.13
Conrail-NERSA Exemption Petitions	29	99.64	68	327.50
Exemption Notices	49	548.91	47	540.68
TOTAL	82	604.32	78	556.76
	269	4,030.46	273	3,440.07
FY - 86				
Applications	52	1,595.96	52	1,239.80
Conrail-NERSA Exemption Petitions	89	294.90	65	177.55
Exemption Notices	93	861.00	56	324.25
TOTAL	30	221.00	43	346.25
	264	2,972.86	216	2,087.85
FY - 87				
Applications	38	1,015.35	22	702.66
Conrail-NERSA Exemption Petitions	22	192.92	37	115.57
Exemption Notices	73	816.65	88	976.30
TOTAL	50	475.80	27	138.08
	183	2,500.72	174	1,932.61
FY - 88 (First 6 Months)				
Applications	12	561.54	18	367.24
Conrail-NERSA Exemption Petitions	7	28.80	5	96.70
Exemption Notices	20	242.59	20	415.03
TOTAL	29	363.29	38	384.71
	68	1,196.22	81	1,263.68

* The filed v. granted numbers do not correlate because cases may be filed in one year, but decided in the next.

SENATOR LAUTENBERG: Given the reasons listed above for abandonment, what percent of the mileage abandoned the past three years fit those reasons?

ANSWER: As indicated above, railroads usually decide to abandon a line for economic reasons. The line just does not earn enough money to cover the cost of providing service over it.

In deciding whether to approve applications for abandonment under section 10903 of the Interstate Commerce Act, the Commission must weigh the potential harm to shippers and communities against the present and future burden, i.e., the costs, that continued operation would impose on the railroad and on interstate commerce. In all abandonments that it authorized during the past three and one half years, the Commission found that the economic burdens of continued rail operations, on both the affected railroads and on interstate commerce, outweighed any adverse consequences of the abandonment to shippers and affected communities. It should be noted that in some cases, such as where an application elicits no opposition, the Commission has, of necessity, relied heavily on the material submitted in the application in making its finding. By statute, unopposed abandonments must be granted.

Thus, the Commission has made specific findings as to 4,324.83 miles, or 49.6 percent of the 8,724.21 total miles abandoned during the past three and one-half years, i.e., those abandoned pursuant to formal applications.

A total of 717.32 miles, accounting for 8.2 percent of the total, were abandoned by Consolidated Rail Corporation pursuant to special provisions of the Northeast Rail Service Act of 1981. The Act directs us to approve all abandonments filed under it unless subsidy or purchase is concluded.

The other 3,682.06 miles, accounting for 42.2 percent of the total, were abandoned pursuant to exemptions rather than applications. In those cases, the Commission exercises the authority of section 10505. It does so when a carrier files a petition for an exemption and successfully demonstrates that its petition meets the statutory criteria, i.e., that regulation of the abandonment is not necessary to carry out the rail transportation policy and either the transaction is of limited scope or that regulation is not necessary to protect shippers from an abuse of market power. The 2,256.26 miles of line, accounting for 25.9 percent of the total, abandoned pursuant to petitions for exemption, met these criteria. In virtually all of those petitions, the carrier alleged that the revenues earned from the line did not cover the cost of the line. In most of these cases, there is little or no shipper opposition. Because the Commission employed different criteria, however, it did not make a finding in each case that the line was a burden on interstate commerce.

A total of 1,425.80 miles of line, or 16.3 percent of the total miles abandoned, were exempted pursuant to the Commission's rule providing for automatic abandonment of lines that neither originated nor received any traffic during the two years prior to the filing of the notice and no shipper complained of a lack of service. The fact that the lines were out-of-service, incurring maintenance costs and opportunity costs but generating no revenue from local traffic, indicates strongly that the lines are an economic burden on the petitioning carrier, and that they are not necessary to serve shippers.

SENATOR LAUTENBERG: How does the Commission monitor the Class III rail carriers?

ANSWER: The Commission monitors these railroads on an informal basis through several approaches. First, we maintain a close liaison with State departments of transportation, which keep us apprised of any unusual activities in their States concerning new short lines. Second, we maintain a closer look at those carriers with traffic levels greater than 10,000 carloads per year. With these carriers, we review monthly complaint data filed with our Office of Compliance and Consumer Assistance, and accident data maintained by the Federal Railroad Administration's Office of Safety. Third, we monitor those carriers whose operations, financing, labor relations, or other characteristics have resulted in unusual controversy and/or publicity. Finally, we supplement these efforts by reviewing various statistics generated by the industry itself (submitted to the Association of American Railroads); these include data covering number of employees, annual carloads, track miles, revenues, etc. All these efforts allow the Commission to maintain careful monitoring of the short line industry without creating a regulatory burden.

SENATOR LAUTENBERG: Are the Commission's responsibilities to and for these carriers the same as for the larger Class I carriers? (If different, please explain.)

ANSWER: Technically, yes, in that all rail carriers of interstate commerce are subject to the Commission's rules and regulations. However, under the Staggers Rail Act, the Commission has the authority to waive or exempt certain activities. In an effort to find an optimum point between regulatory burden and public interest, the Commission has instituted a number of proceedings to ease the regulatory burden where continued regulation is not necessary to carry out the National Transportation Policy. For example, in addition to other deregulatory efforts, such as exempting transportation of fresh fruits and vegetables, or transportation by Trailer-on-Flatcar, boxcars, etc., various activities such as short line sales have been exempted from regulation to accommodate marketplace changes in the rail industry.

SENATOR LAUTENBERG: List the new Class III rail carriers that have been created since the Staggers Act, the amount of track miles for each, and the amount of freight carried.

ANSWER: The following is a list of the short line and regional railroads formed between October 1980 and May 11, 1988. There is also a list of the railroads and mileage involved in acquisition and operation exemptions between October 1, 1987, and May 11, 1988.

REGIONAL RAILROADS SINCE 1980

RAILROAD	OPERATING MILES 1987	ESTIMATED CARLOADS 1987
CHICAGO, CENTRAL AND PACIFIC RAILROAD CO.	743	100,000
CHICAGO, MISSOURI & WESTERN RAILWAY CO.	639	80,000
DAKOTA, MINNESOTA & EASTERN RAILROAD CORP.	824	43,722
GULF & MISSISSIPPI RR CORP.	713	73,000
IOWA INTERSTATE RAILROAD LTD	583	35,000
KYLE RAILWAYS, INC	406	12,600
MIDSOUTH RAIL CORPORATION	420	151,000

RAILROAD	OPERATING MILES 1987	ESTIMATED CARLOADS 1987
NEW YORK SUSQUEHANNA WESTERN RR CO.	410	25,000
PADUCAH & LOUISVILLE RAILWAY	309	165,000
RED RIVER VALLEY & WESTERN RAILROAD CO.	677	21,000
WASHINGTON CENTRAL RAILROAD CO.	433	20,000
WISCONSIN & CALUMET RAILROAD	282	3,300
TOTAL	6,439	729,622

SHORT LINE RAILROADS SINCE 1980

ABERDEEN, CAROLINA & WESTERN RAILWAY CO.	34	2,000
ALABAMA & FLORIDA RAILROAD COMPANY	80	7,000
ALLEGHENY RAILROAD COMPANY	154	7,000
ANDALUSIA & CONECUH RR CO. INC.	8.7	200
ANNEX RAILROAD	9	2,659
ANTHRACITE RAILWAY, INC.	26	1,307
APPANOOSE COUNTY COMMUNITY RAILROAD INC	12	1,300
ARKANSAS & MISSOURI RAILROAD CO.	145	24,000
ASHLAND OHIO RAILWAY, INC.	30	2,000
ASSUMPTON COOPERATIVE GRAIN CO./MOWEAQUA FRAM	17.54	2,954
AUSTIN & NORTHWESTERN CO.	163	9,601
AUSTIN, TODD AND LADD RAILROAD COMPANY	39.7	1,300
A. C. & J. RAILROAD	6.25	739
BATTEN KILL RAILROAD CO.	35	1,323
BAY COLONY RAILROAD CORORATION	122	2,200
BLOOMER LINE	36	2,206
BLUE MOUNTAIN & READING RAILROAD	13	100
BLUE ROCK TRANSPORTATION COMPANY	4	1,194
BORDER PACIFIC RAILROAD INC	33.6	490
BORINSTEIN RAILROAD	0.4	50
BRANDYWINE VALLEY RAILROAD CO.	3.6	17,000
BROWNSVILLE & RIO GRANDE INT'L RR CO	33	8,000
BUFFALO SOUTHERN RAILROAD INC	33	250
BURLINGTON JCT. RWY	1.5	900
C & J RAILROAD CO.	30	175
CADILLAC & LAKE CITY RAILWAY	70	6,530
CAIRO TERMINAL RAILROAD CO	38	2,941
CANEY FORK & WESTERN RAILROAD, INC	60	2,588
CARTHAGE, KNIGHSTOWN & SHIRLEY RAILROAD, INC.	24	
CEDAR VALLEY RAILROAD CO.	128.5	5,457
CENTRAL LOUISIANA & GULF RR CO	26	3,759
CENTRAL MICHIGAN RAILWAY	238	22,600
CENTRAL MONTANA RAILROAD	66.1	517
CHARLES CITY RAILWAY LINE, INC.	4	0
CHICAGO RAIL LINK	32	18,529
CHILLICOTHE - BRUNSWICK RAIL MAINTENANCE AUTH	37.3	1,100
CIMARRON RIVER VALLEY RWY CO.	25	1,700
COE RAIL INC	8.1	220
COLLETON COUNTY RAILROAD CO.	27	9,860
COLONEL'S ISLAND RAILROAD CO.	14	550
COLUMBIA AND SILVER CREEK RAILROAD	5	1,250
CONNECTICUT CENTRAL RAILROAD CO.(STATE OF CT)	17	1,200
COPPER BASIN RAILROAD	70	100,125
D & I RAILROAD COMPANY	130	7,353
DAKOTA RAIL INC.	44	550
DAKOTA SOUTHERN RAILWAY	150	1,000
DELAWARE COAST LINE RR CO	22.8	600
DENVER TERMINAL RAILROAD	11.3	650
EAST TENNESSEE RAILWAY CORP	11	2,651
EASTERN SHORE RAILROAD INC	70.1	12,000
EUREKA SOUTHERN RAILROAD CO.	145	5,200
EVERETT RAILROAD	15	500
FAIRMONT & WESTERN RAILROAD CO. (LEASED)	12	295
FALLS CREEK RAILROAD COMPANY	8	1,200
FARMRAIL CORPORATION	85	1,000
FLORIDA CENTRAL RAILROAD	60	4,000
FORE RIVER RAILWAY CO. (GNTC)	2.14	1,000
FRANKLIN COUNTY RAILROAD	10	184
GEORGIA EASTERN RAILROAD CO.	17	4,000
GLOUSTER SOUTHERN RAILROAD COMPANY	35	2,500
GOLDEN TRIANGLE RAILROAD	16	2,000

RAILROAD	OPERATING MILES 1987	ESTIMATED CARLOADS 1987
GREAT RIVER RAILROAD	32.45	200
GREAT WALTON RAIL CO.	10	1,000
HUNTSVILLE MADISON COUNTY RR AUTHORITY	13.25	312
HURON & EASTERN RAILROAD	83	4,062
INDIAN CREEK RAILROAD COMPANY	4.55	1,000
INDIANA HI-RAIL CORPORTATION	136	94
INDIANA RAILROAD CO.	116	14,180
INDIANA & OHIO CENTRAL RAILROAD, INC.	43	2,250
INDIANA & OHIO EASTERN RAILROAD, INC.	53	2,250
INDIANA & OHIO RAILWAY CO.	27	2,250
IOWA NORTHERN RAILWAY COMPANY	141.23	5,000
IOWA SOUTHERN RAILROAD CO. (GNTC)	67	1,250
IOWA TRACTION RAILROAD CO.	10.4	500
J & J RAILROAD	8.6	800
JACKSON & SOUTHERN RAILROAD	36	294
KEOKUK JUNCTION RAILWAY	38	3,200
KIAMICHI RAILROAD CO.	130.35	20,000
KNOX AND KANE R R CO.	78	867
KWT RAILWAY, INC.	51	4,000
LACKAWANNA VALLEY RAILROAD CORPORATION	23	750
LANDISVILLE RAILROAD, INC	3	100
LEWIS & CLARK RAILWAY CO.	29.5	200
LITTLE ROCK & WESTERN RAILWAY CORP.	79	300
LOGANSPORT & EEL RIVER RAILROAD	0.7	220
LOUISIANA & DELTA RAILROAD, INC.	99.25	10,500
M LINE RAILROAD, THE	1.86	994
MAHONING VALLEY RAILROAD CO.	37	6,174
MG RAIL, INC.	7.74	4,431
MID LOUISIANA RAIL CORPORATION	65	16,000
MIDLAND TERMINAL RAILROAD	8.9	10,861
MID-ATLANTIC RAILROAD CO., INC.	75.9	21,000
MINNESOTA COMMERCIAL RAILWAY CO.	64	8,800
MISSISSIPPI DELTA RAILROAD	60	5,882
MISSISSIPPIAN RAILWAY COOP, INC.	24	369
MNVA RAILROAD	143	3,800
MONTANA WESTERN RAILWAY CO., INC.	52	13,294
MORRISTOWN & ERIE RAILWAY	42	2,000
NASH COUNTY RAILROAD	20	3,014
NASHVILLE & EASTERN RAILROAD AUTHORTY	132	6,240
NATCHEZ TRACE RAILROAD AND KYLE RWYS, INC	56.5	3,500
NEVADA-CALIFORNIA-OREGON RAILROAD(LEASED)	55	2,482
NEW ENGLAND SOUTHERN RR CO	100	2,800
NEW HAMPSHIRE NORTHCOAST CORP.	32	6,170
NEW YORK CROSS HARBOR RAILROAD TERMINAL CORP.	10	5,000
NEWBURGH & SOUTH SHORE RR CO.	2.7	1,329
NICOLET BADGER NORTHERN RAILROAD	40	250
NITTANY & BALD EAGLE RAILROAD CO.	45	750
NORTH SHORE RAILROAD COMPANY	43	1,141
N.D.C. RAILROAD	0.5	1,200
OHI - RAIL CORPORATION	39.4	1,000
OHIO SOUTHERN RAILROAD CO.	31.7	1,700
OKLAHOMA CENTRAL RAILROAD CO.	6	0
OLD AUGUSTA RAILROAD CO.	2.5	6,867
ONTARIO LINES	68	600
OTTER TAIL VALLEY RAILROAD CO.	170	7,238
OTTUMWA TERMINAL RAILROAD CO.	7.7	0
PANTHER VALLEY RAILROAD CORPORATION	18.5	1,000
PARR TERMINAL RAILROAD	1.9	2,308
PEND OREILLE VALLEY RAILROAD	61.5	2,461
PEORIA,PEORIA HEIGHTS & WESTERN RAILROAD	8.9	86
PIGEON RIVER RAILROAD	14.27	200
PINEY N.J. RAILWAY	13	5,500
PIONEER VALLEY RAILROAD	27.3	10,144
PLYMOUTH SHORTLINE LTD.	1.8	2
POCONO NORTHEAST RAILWAY INC	115	3,000
PORT OF ROYAL SHORE RAILROAD	26	267
PORT OF TILLAMOOK BAY RAILROAD	95	1,329
PORT ROYAL RAILROAD	25	1,200
POSEYVILLE & OWENSVILLE RAILROAD INC.	11.239	400
RAHWAY VALLEY CO.	8	400
RARUS RAILWAY COMPANY	119	1,400
RED SPRINGS & NORTHERN RAILROAD	12.5	969
ROCHESTER & SOUTHERN RAILROAD, INC.	94	20,680
ROCKY MOUNTAIN RAILCAR & RAILROAD, INC.	44	1,300

RAILROAD	OPERATING MILES 1987	ESTIMATED CARLOADS 1987
R. J. CORMAN RAILROAD CORP.(BARDSTOWN LINE)	20	504
SAN DIEGO & IMPERIAL VALLEY R R CO INC	152.96	1,000
SEQUATCHIE VALLEY RAILROAD	40	4,923
SHORE FAST LINE RAILROAD CO	50	850
SIDNEY & LOWE RAILROAD INC	12	50
SISSETON SOUTHERN RAILWAY CO.	38	1,000
SOMERSET RAILROAD CORPORATION	15.59	18,970
SOUTHEAST KANSAS RAILROAD CO.	65	5,000
SOUTHWESTERN MICHIGAN RAILROAD, INC.	13.28	200
STATEN ISLAND RAILROAD CORP.	21	2,000
STERLING BELT LINE RAILWAY	1.1	40
TENNKEN RAILROAD COMPANY	51.7	1,000
TERRE HAUTE, BRAZIL & EASTERN RAILROAD	45	5,100
TEXAS NORTH WESTERN RAILWAY CO.	86	2,529
TIOGA CENTRAL RAILROAD	27.5	100
TONAWANDA ISLAND RAILROAD, INC.	1.5	100
TRADEWATER RAILWAY CO.	92	2,941
TURTLE CREEK INDUSTRIAL RR INC	10	600
TWIN STATE RAILROAD	27	1,200
UNION RAIL ENTERPRISES, INC.	2.2	1,500
VANDALIA RAILROAD COMPANY	2.5	580
WALKING HORSE AND EASTERN RAILROAD CO., INC.	26	700
WEST JERSEY SHORT LINE INC	17.8	652
WEST SHORE RAILROAD CORP	12	50
WEST TENNESSEE RAILROAD CORP.	47	5,200
WEST VIRGINIA NORTHERN RAILROAD, LTD.	16.58	6,400
WILLIAMETTE VALLEY RAILROAD CO.	7	1,100
WILMINGTON WESTERN RAILROAD	10.2	80
WILMINGTON TERMINAL RAILROAD INC.	2.5	12,000
YOUNGSTOWN & AUSTINTOWN	5	300
TOTALS	7176.629	671,337

SHORT LINE AND REGIONAL RAILROADS
ACQUISITION/OPERATION EXEMPTIONS FILED 10/1/87 - 5/11/88

ENTITY	MILEAGE
ABBEVILLE GRIMES RAILWAY	27
BENTON CENTRAL RR	7.2
BLUEGRASS RAILROAD MUSEUM	5.5
BPM RAIL	7.7
CENTRAL MONTANA RAIL	29.1
CHEMICAL LIME, INC.	45.3
DALLAS AREA RAPID TRANSIT	34.3
DUNN-ERWIN RAILWAY	5.5
EAST PORTLAND TRACTION CO.	6.4
FERDINAND & HUNTINGBURG RR.	6.4
FLORIDA MIDLAND	39.1
FLORIDA WEST COAST RR	44.7
FREMONT, WEST POINT & PACIFIC	37.5
FRVR CORPORATION	208
GALVESTON RAILWAY	38
GEORGIA NORTHEASTERN RR	67
GOLDEN CAT RR CORP	10.8
HOUSATONIC RR COMPANY	34.2
LEADVILLE-CLIMAX SHORTLINE	13.7
LITTLE KANAWHA RIVER RAIL	3.1
LNAC ACQUISITION CORP	7.7
MAHONING VALLEY RAILWAY	24.1
MARYLAND MIDLAND RAILWAY	8.1
MCCORMICK/ASHLAND CITY & NASHVILLE	28
MID-MICHIGAN RR	67.4
MT. HOOD RAILWAY	21.1
NORTH CAROLINA & VIRGINIA RR	53.1
OHIO CENTRAL RR	70.6
SAGINAW VALLEY	58.5
SEMINOLE GULF RAILWAY	118.8
SOUTH CAROLINA CENTRAL RR	55.2
SOUTHEASTERN RAIL CORP	732

ENTITY	MILEAGE
STATE OF MONTANA	29.1
ST. LOUIS & LAKE COUNTIES	24.8
TEMPERANCE YARD CORP	5.8
TENNESSEE SOUTHERN RR	117.9
VIRGINIA & NORTH CAROLINA RR	2.4
WACCAMAW COASTLINE RR	14
WILLAMINA & GRAND RONDE	5.2
WIREGRASS CENTRAL RR	23.2
WYOMING & COLORADO RR	131.5
YORKRAIL INC.	16
TOTALS	2,285

SENATOR LAUTENBERG: List all the Class II and Class III rail carriers that have ceased to exist since passage of Staggers and the reasons for their passing.

ANSWER: The following is a list of shortline failures.

SHORTLINE FAILURES

Shortline	State	Miles	Dates	Prior Oper.	Line	Comments
Franklin County	NC	10	1985-1987	Seaboard	Louisburg-Franklinton	Low vol.; poor track
Fulton County	IN	15	1981-1985	Erie-Lackawanna	Rochester-Monterey	Connection discontinued
Jersey Central Terminal	NJ	-	1981	Penn Central	Linden	Switching & Terminal railroad; lease terminated
Marion County	SC	6.3	7/84-3/85	Seaboard	Marion-Mullins	Lumber Co. went out of business
Ontario Eastern	NY	20	2/82-8/83	North Country (Penn Central)	Dekalb Jct.-Ogdensburg	Shipper went out of business
Prairie Central	IL	161	6/81-12/84	Penn Central	Decatur-Paris-Mt. Carmel	Undercapitalized
Prairie Trunk	IL	218*	12/82-6/85	Baltimore & Ohio	Shawneetown-Flora-Springfield-Decatur	Lack of traffic
Raccoon River	IA	10	5/81-9/81	Milwaukee	Lohrville-Rockwell City	Low vol.; high car costs

* Originally 73 miles begun in 1977

FAILED SHORTLINES - TRACKAGE STILL OPERATED

Shortline	State	Miles	Dates	Prior Oper.	New Oper.	Miles	Comments
Central Wisconsin	WI	230		Milwaukee & Illinois Central Gulf	Wisconsin & Calumet	216	Lines owned by WIDOT; WIDOT selling 47 miles (out of service since 1982) as trails.
Chelatchie Prairie	WA	29.5	1981-86	Longview, Portland & Northern	Lewis & Clark	29.5	Lines owned by Clark County (5/87).
Chillicothe Southern	MO	39	1985-86	Northern Missouri	Chillicothe-Brunswick Rail Maintenance Authority	39	Greenhills Rural Dev. Auth. owns line; term. CSR & oper. itself d/b/a CBMA
Elkhorn & Walworth	WI	29		Milwaukee	Not operating		Lines owned by WIDOT; in Rail banking.
Enid Central	OK	64	1981-83	Rock Island	Oklahoma, Kansas & Texas	9	9 miles of mainline on OKT; 55-mile Ponca City Br. was abandoned.
Horry County	SC	15	1985-87	Seaboard	Waccamaw Coastline	15	Lines owned by Horry County
Indiana Midland	IN	21	1984-86	Indiana Eastern	Carthage, Knightstown & Shirley	21	IM was reorganized Ind. East.(1978-82) which went bankrupt.

FAILED SHORTLINES - TRACKAGE STILL OPERATED

Shortline	State	Miles	Dates	Prior Oper.	New Oper.	Miles	Comments
Moxahala Valley	OH	31	1983-86	Conrail	Ohio Southern	31	OHDOT owns line; replaced MV w/ O.So. due to poor performance.
No.Central Oklahoma	OK	Var.	1981-85	Rock Island	Austin, Todd & Ladd; Oklahoma, Kansas, & Texas	48 ATL + OKT	
Northern Missouri	MO	153	1984-85	Norfolk & Western	Chillicothe Southern	39	NM cut back service to 39 mi. & oper. d/b/a CSR
Okarche Central	OK	59	1981-82	Rock Island	Oklahoma, Kansas & Texas	59	Part of OKT Mainline purchase(El Reno-Enid) (affiliated w/Enid Central)
So. Central Arkansas	AR/LA	56	1982-84	Rock Island	East Camden & Highland	25	
Wisconsin & Western	WI	120		Milwaukee	Wisconsin & Calumet	120	Lines owned by WI DOT

SENATOR LAUTENBERG: What is the status of the Winona Bridge Railway Company? Has the Commission taken a position on this short-line creation?

ANSWER: Winona Bridge Railway Company (WB) is not a new shortline. It is a wholly owned subsidiary of the Burlington Northern Railroad Company (BN). WB filed a notice of exemption under the Commission's class exemption procedures for the acquisition of bridge trackage rights over BN between Winona Junction, WI, and Seattle, WA. The trackage rights became effective on November 25, 1987.

Petitions by labor interests to void or reject the exemption were denied by the Commission in a decision served January 7, 1988. Petitions by labor interests to revoke the exemption and reconsider the January 7th decision are pending. Essentially they challenge WB's right to use the class exemption procedures and contend that the trackage rights arrangement contravenes the rail transportation policy (49 U.S.C. 10101a).

The Eighth Circuit temporarily stayed the implementation of the trackage rights arrangement pending submission of the Commission's views regarding the court's review of the January 7th decision. Winter v. ICC (U.S.C.A. 8th Cir., No. 88-1250). Labor interests have requested an extension of the stay.

SEPARATE EXPRESSION OF COMMISSIONER SIMMONS: I voted to grant a stay to the initial transaction on our own motion and to set the proceeding for notice and comment. I continue to believe that the Commission has a responsibility to determine whether the trackage rights exemption comports with our requirements in Ex Parte No. 282 (Sub-No. 9). Moreover, the arrangement, at least insofar as its impact on current employees is concerned, appears to present issues similar to the labor controversy surrounding Guilford's lease agreement with its wholly owned subsidiary Springfield Terminal. Finance Docket No. 30925, Boston and Maine Corp.- Lease and Trackage Rights - Springfield Terminal Railway Co.

SEPARATE EXPRESSION OF COMMISSIONER LAMBOLEY: I continue to question whether conferral of 1,860 miles of trackage rights by a parent to its wholly-owned, but equipment-less and virtually employee-less subsidiary is contemplated by the 49 U.S.C. 10901 class exemption. I also believe there are several unresolved issues concerning the status of Winona Bridge as a carrier. Please see my separate expression in F.D. No. 31163, Winona Bridge Railway Company - Trackage Rights - Burlington Northern Railroad Company, served January 7, 1988 which is attached.

OFFICE OF VICE CHAIRMAN LAMBOLEY

FINANCE DOCKET NO. 31163

WINONA BRIDGE RAILROAD COMPANY TRACKAGE RIGHTS -
BURLINGTON NORTHERN RAILROAD COMPANY

December 31, 1987

MEMORANDUM TO CHAIRMAN GRADISON:

Please show me with the following separate expression.

Paul H. Lamboley

cc: All Commissioners
Director Mackall
Deputy Director Dettmar
Clearance Unit

VICE CHAIRMAN LAMBOLEY, dissenting:

I would stay the operation of this exemption.[1]/ Our jurisdiction to evaluate and authorize trackage rights, whether by application under Section 11343, petition for exemption under Section 10505, or, as here, by claim of class exemption under 49 C.F.R. 1180.2(d)(7),[2]/ is premised on an agreement between two rail carriers. Setting aside for the moment the question of whether conferral of 1,860 miles of trackage rights by a parent to its wholly-owned, but equipment-less and virtually employee-less subsidiary is contemplated by the class exemption, there are several unresolved issues concerning the status of Winona Bridge (WB) as a carrier. The majority's findings in this regard are, in my judgment, superficial at best. The facts

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1/ Although the exemption became effective November 25, 1977, BN states Winona Bridge does not anticipate commencement of operations prior to February, 1988. Accordingly, BN will not be prejudiced by our consideration of relevant matters here.

2/ See also Ex Parte No. 282 (Sub-No. 9), Railroad Consolidation Procedures - Trackage Rights Exemption, 1 I.C.C. 2d 270, (1985).

presented illustrate that the issue needs to be addressed in greater detail.

In Finance Docket No. 31078, Brotherhood of Locomotive Engineers v. Interstate R.R. Co., et al. (not printed), served November 27, 1987 (Interstate), the Commission recently revisited and reasserted its historic standards in measuring carrier status. As outlined there, we examine each particular operation to determine if an entity holds itself out as a common carrier for hire, as shown by tariff publication, actual movements of traffic, or other factual indicia, and whether it has the ability to so perform. In contrast to the majority's conclusions, these standards, in my view, necessarily require something more than reliance on past operations, previous Commission designations, or, notwithstanding any other facts, possible "residual" common carrier obligation.

Here, WB's past switching operations were historically conducted solely with the equipment and by the employees of its owners, BN and Green Bay and Western (WB is now apparently owned solely by BN). WB owns only the bridge and related lead track. Its few employees were bridge tenders who open the bridge spans for river traffic; they did not perform any of the involved rail service.

However, in late 1985, operations over WB ceased. In Finance Docket No. 30581 (Sub-No. 1), Burlington N. R.R. Co. and Milw. Rd. Inc. - Pooling Agreement (not printed), served November 7, 1985 (Pooling), we granted BN its request to reroute its traffic to bypass WB via a pooling agreement with the Milwaukee Road. As justification, BN cited the deteriorated condition of the bridge and its reluctance to spend the

necessary rehabilitation expenses then estimated at $565,000, subsequent yearly maintenance expenses of $200,000, and projected bridge replacement costs of $14 million in 1997.[3]/ BN notified us during that proceeding that the bridge closed.

No traffic has moved over WB subsequently. As noted, it has no rail service-related employees. There are no tariffs presently on file here by WB in its own name, nor any other indication of tariff-related WB service. Based on BN's representations and the two-year hiatus since Pooling, there is also some question if WB is safe and/or whether operations could safely resume. Accordingly, based on the existing record and other relevant information before us, I cannot conclude that WB is presently a carrier under the "holding out/able to perform" standards articulated in Interstate. The presented facts tend to indicate the opposite, and that WB has remained more of a corporate shell than a railroad. Because our jurisdiction to authorize trackage rights here is dependent on WB's status, I believe we are necessarily compelled to stay the exemption and ask the parties to address the matter further.

As a matter of procedure, I object to the majority's division of issues before us into two separate decisions - stay and rejection issues here, and revocation issues in one subsequent. It is particularly inappropriate here, because all issues are necessarily related and jurisdictional. This particular trackage rights agreement is arguably outside the purpose of transactions contemplated by the class exemption. In my view, such trackage rights exemption necessarily implied a

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[3]/ Finance Docket No. 30581 (Sub-No. 1), BN V.S. Condon, pp. 4-6.

grant resulting from an agreement between arms-length bargainers, and, consequently, the existence of functioning, independent carriers.[4]/

By contrast, the agreement here is an intracorporate grant of lengthy trackage rights by a parent to its wholly-owned, nonoperating, one-mile long subsidiary which has no equipment or rail-service employees; BN will necessarily supply all. With the exception of certain TOFC/COFC hubs, BN claims in its notice that the proposed WB operations are limited to garnering business for the line not presently handled by BN. However, paragraph 2(d) of the agreement itself indicates that BN can expand WB's operations at any time. This is obviously not a typically bargained, two-sided trackage rights arrangement between carriers.[5]/

Accordingly, one cannot help but glean from the record the obvious possibilities: BN intends to use the trackage rights and WB's corporate shell to transfer increasing levels of its present operations on the line to WB. BN claims a transportation intent and purpose underlying the transaction to become more competitive vis-a-vis certain traffic. However, at the same time, BN openly states that it attempted to secure certain labor concessions by negotiations, and, failing that, constructed the BN-Winona arrangement. Significantly, BN further acknowledges that if labor concessions are achieved, Winona will not commence operations.[6]/

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[4]/ See Ex Parte No. 282 (Sub-No. 9), supra.

[5]/ Compare the intracorporate exemption at 49 CFR 1180.2(d)(3), originally adopted in Ex Parte No. 282 (Sub-No. 3), Railroad Consolidation Procedures, 363 I.C.C. 200 (1980).

[6]/ See letter dated December 2, 1987 provided to the Commission by BN and made part of the record in this case.

Appropriate as it may be to reduce its operating labor costs by negotiations under the RLA, attempts to avoid consequences of past or current negotiations through the ICA process undercuts the transportation motive, replacing it with a labor relations intent and purpose to discipline labor in a manner not achieved in the context of RLA collective bargaining. The availability of ICA transactions in such circumstances must be evaluated in light of accommodating and reconciling the purposes of the respective Acts, which, I hasten to add, in my view are not necessarily inconsistent.

Finally, it is in this sense that the transction poses issues similar to those present in the Guilford-Springfield Terminal cases.7/

This exemption should be stayed pending further investigation and development of the record.

7/ Finance Dockets Nos. 30965, et al., Delaware and Hudson Railway Company - Lease and Trackage Rights Exemption - Springfield Terminal Railway Company.

RATE OF RETURN

SENATOR LAUTENBERG: List the average rate of return for Class I, II and III rail carriers for years 1984 through 1987 and the ICC's necessary rate of return for those years for a railroad to be revenue adequate.

ANSWER: The bar chart shows the composite return on net investment (ROI) for Class I railroads for each of the years 1966 through 1986. The Commission's revenue adequacy standards, from 1978, first year of calculation, through 1986, are shown at the bottom of the graph.

The ROIs shown for the years 1985 and 1986 reflect two of the revisions adopted by the Commission in its decision in Ex Parte No. 393 (Sub-No. 1), Standards for Railroad Revenue Adequacy, served December 31, 1986: 1) the use of ratable depreciation accounting data in lieu of retirement-replacement-betterment accounting (RRB) data; and 2) the subtraction of accumulated deferred taxes from the net investment base.

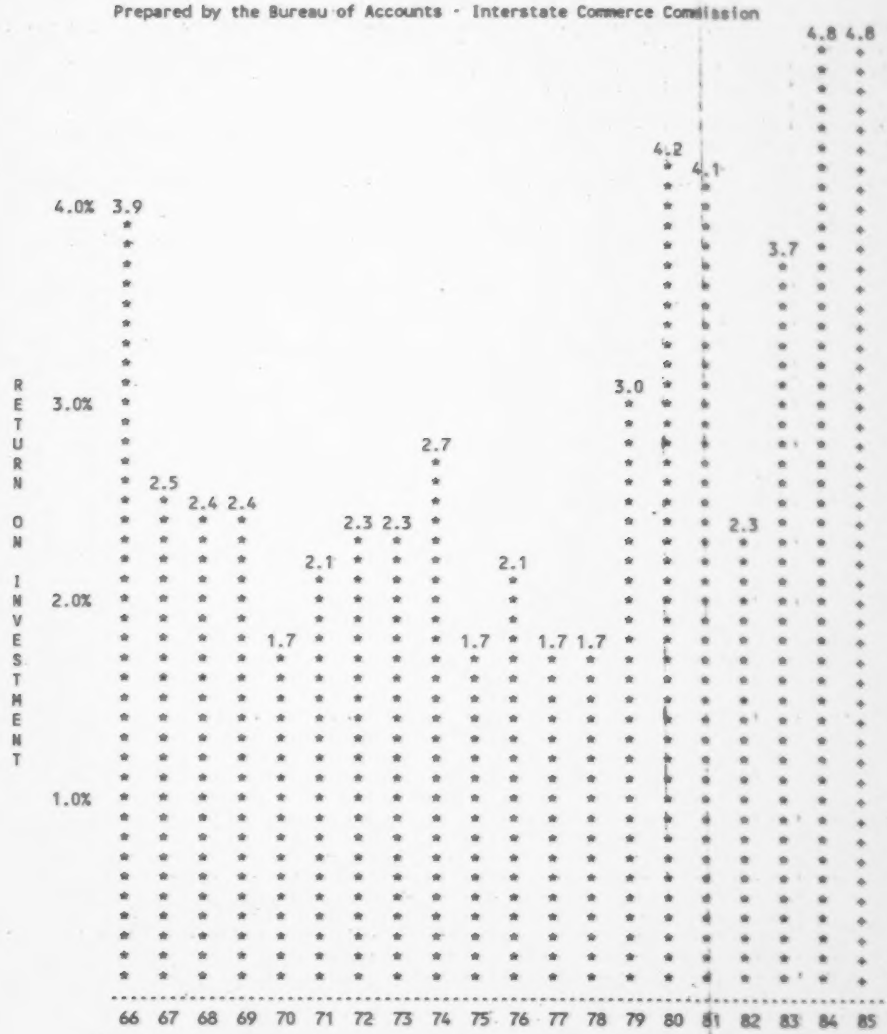
The following schedule shows revenue adequacy determinations for each Class I railroad for each year from 1979 through 1986.

Rate of return data for 1987 for all Class I railroads are not fully available since several railroads have not yet submitted their December 31, 1987, net investment base data.

The Commission discontinued reporting requirements for Class II and Class III railroads in 1981 and 1980, respectively, so no rate of return data are available for these railroads.

COMPOSITE RETURN ON INVESTMENT
FOR CLASS I RAILROADS

Prepared by the Bureau of Accounts - Interstate Commerce Commission



* Data for 1966 through 1984 on Retirement-Replacement-Betterment Basis.
\+ Data for 1985 and 1986 on Depreciation Accounting Basis.

Class I Railroad Revenue Adequacy Determinations (1979 - 1986)
(Utilizing Return on Investment Equal to Cost of Capital)

	1979	1980	1981	1982	1983	1984	1985	1986
EASTERN DISTRICT								
Baltimore & Ohio	4.5	3.8	2.4	0.4	0.2	2.9	4.3	+
Bessemer & Lake Erie	11.7 A	11.6	8.9	0.0	2.3	4.9	**	**
Boston & Maine	0.0	2.9	0.0	0.0	*	8.9	0.0	0.0
Chesapeake & Ohio	4.6	6.8	5.4	5.3	4.1	4.3	11.1	+
Conrail	0.0	0.0	0.0	0.0	3.7	6.6	4.9	4.3
Delaware & Hudson	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Detroit Toledo & Ironton	5.1	0.0	0.0	0.0	0.0	**	**	**
Elgin Joliet & Eastern	13.3 A	3.6	3.9	2.7	3.7	1.8	0.0	**
Grand Trunk Western	2.5	0.0	3.0	0.0	0.0	3.0	1.6	0.0
Norfolk & Western	8.9	9.3	10.8	8.0	5.3	5.2	9.1	++
Norfolk-Southern								7.4
Pittsburgh & Lake Erie	10.1	17.8 A	1.2	0.0	0.0	0.0	**	**
Western Maryland	9.6	4.2	5.7	5.8	**	**	**	**
SOUTHERN DISTRICT								
Alabama Great Southern	***	6.6	8.7	4.3	4.8	8.9	***	++
Central of Georgia	***	10.0	9.7	6.2	8.1	10.7	***	++
Cinc. N.O. & Texas Pacific	***	10.7	10.3	7.6	9.7	12.2	***	++
Clinchfield	11.6	19.1 A	18.1 A	8.0	**	**	**	+
CSX								5.5
Florida East Coast	1.5	5.7	3.3	2.7	0.0	8.0	5.5	7.0
Illinois Central Gulf	0.0	0.0	0.0	0.0	0.0	0.0	2.4	4.0
Louisville & Nashville	5.1	5.5	7.0	4.9	**	**	**	+
Seaboard	7.2	7.0	2.1	1.4	4.2	5.6	8.0	+
Southern	9.1	7.8	7.7	4.4	4.0	5.0	8.1	++
WESTERN DISTRICT								
Atchison Topeka & Santa Fe	5.9	7.0	5.0	2.7	3.3	2.8	4.3	4.2
Burlington Northern	4.1	5.5	4.3	4.5	8.2	11.0	10.3	5.7
Chicago & Northwestern	0.0	3.6	2.2	0.0	4.7	3.1	2.0	2.1
Chi. Milwaukee St Paul & Pac	0.0	0.0	0.0	0.0	0.0	5.2	**	**
Colorado & Southern	0.0	7.7	4.8	**	**	**	**	**
Denver & Rio Grande Western	8.6	8.9	8.1	4.5	2.9	0.8	5.6	4.5
Duluth Mesabi & Iron Range	6.1	7.0	6.1	0.0	2.3	0.0	**	**
Fort Worth & Denver	22.8 A	19.3 A	21.9 A	**	**	**	**	**
Kansas City Southern	6.6	7.6	7.6	7.3	7.4	9.0	9.2	9.0
Missouri Kansas Texas	5.7	5.5	11.8	7.0	6.5	5.4	2.2	1.9
Missouri Pacific	8.4	8.1	8.0	6.0	4.9	3.6	6.2	+++
St Louis San Francisco	5.8	**	**	**	**	**	**	**
St Louis Southwestern	7.5	5.8	3.9	4.2	3.3	1.6	3.2	4.3
Soo Line	8.2	9.2	8.1	3.0	2.9	2.3	1.5	1.7
Southern Pacific	1.6	2.6	0.5	0.0	0.0	0.0	0.7	0.0
Union Pacific	7.6	7.8	7.4	4.4	4.7	4.3	7.3	8.6
Western Pacific	4.4	3.2	0.0	0.0	0.0	0.2	0.0	+++
COST OF CAPITAL	11.7	12.1	16.5	17.7	15.3	15.8	13.6	11.7

"A" designates railroads that are revenue adequate.

Notes

Data for 1979 through 1984 on Retirement-Replacement-Betterment Accounting Basis.

Data for 1985 and 1986 on Depreciation Accounting Basis. By decision in Ex Parte No. 393 (Sub-No. 1), Standards for Railroad Revenue Adequacy, served 12/31/86, the Commission revised the standards for computing railroad revenue adequacy. This included the use of ratable depreciation accounting data in lieu of retirement-replacement-betterment accounting data for computing return on investment and the subtraction of accumulated deferred taxes from the net investment base when calculating ROI.

All data from Annual Reports to the Commission and Supplements to those reports except for the following which are based on original costs before writedowns that occurred due to reorganizations:

Boston & Maine 1985 and 1986
Conrail 1981, 1982, 1985, and 1986
Delaware & Hudson 1981, 1982, 1985, and 1986
Pittsburgh & Lake Erie 1981 and 1982
Seaboard 1985

Chicago & Northwestern 1981, 1982, 1985, and 1986
Western Pacific 1981, 1982, and 1985

1985 data for Baltimore & Ohio, Chesapeake & Ohio, Seaboard, and Chicago & Northwestern exclude certain one-time special charges.

1986 data for Illinois Central Gulf, Atchison Topeka & Santa Fe, Burlington Northern, Kansas City Southern, St. Louis Southwestern, Soo Line, Southern Pacific, and Union Pacific exclude certain one-time special charges.

* The Boston & Maine changed from RRB to depreciation accounting during 1983. No accurate ROI could be computed for that carrier during that year.

** These carriers no longer Class I as of the year(s) indicated.

*** Data for these carriers included with Southern for 1979 and 1985.

+ These carriers part of CSX in 1986.

++ These carriers part of Norfolk-Southern in 1986.

+++ These carriers part of Union Pacific in 1986.

SENATOR LAUTENBERG: What is the status of the Commission's in-house study to recommend alternatives to the discounted cash flow methodology for determining the cost of railroad common equity capital? (Briefly state the alternatives studies and the results to date.)

ANSWER: The study by the Commission's staff has been completed. The study examined the various methods used for computing the cost of common equity capital, focusing on four approaches: (1) the currently used Discounted Cash Flow (DCF) approach; (2) the Capital Asset Pricing Model (CAPM); (3) Risk Premium Methods (RPM) other than the CAPM; and (4) the Comparable Earnings (CE) method. The study evaluated each of the four approaches on the basis of regulatory acceptance, authoritative support, theoretical soundness, practicability, and ease of implementation and related cost.

The study concluded that there is no basis to support use of any alternative approach as being superior to DCF. The study also found that the results obtained in the past using the DCF approach were reasonable relative to both interest rates in general and to public utility estimates of the cost of equity capital.

The study recommended continued use of the DCF approach to estimate the cost of railroad equity capital, subject to a modification to reflect a broader-based consensus of investor earnings expectations. The September 1, 1987, RAPB report contains no findings that differ from the Commission's current cost of capital procedures: that is, the use of the weighted average of debt and equity determined by their market values and their current market rates.

SENATOR LAUTENBERG: What is the status of the Commission's rulemaking proceeding to work out the technical details associated with the revenue adequacy standard due to Docket No. 40128?

ANSWER: This proceeding was renumbered Ex Parte 393 (Sub No. 2). A Notice of Proposed Rulemaking was served February 25, 1988, and comments were received April 11, 1988. These are now being analyzed for preparation of a final rule. We anticipate a decision in the fourth quarter of FY 1988.

UNIFORM RAIL COSTING SYSTEM

SENATOR LAUTENBERG: What were the findings of the evaluation of URCS that was to be completed in June 1987? (Provide executive summary.)

ANSWER: In early 1987 the RAPB recommended to the Commission that an independent review of the regression procedures supporting the 1980 Rail Cost Study be initiated. This review was to address several items related solely to the regression study. To this end, the Commission employed a consultant who had attended a number of RAPB meetings and was not associated with either the railroad industry or shipper organizations. The individual selected had the unanimous support of both sides. At the time the review was undertaken, we and the consultant believed that a final report on the results of the review could be released in June 1987. However, after an in-depth analysis of the 1980 study, the consultant concluded that the regressions could be improved by the application of contemporary state-of-the art statistical procedures and that such improvement would be necessary to address the concerns of the RAPB. It was decided that a complete overhaul of the URCS regression procedures was necessary before a final report could be released. That study is now nearly complete. We expect it to be released for informal public comment soon. After considering the comments, we will finalize the regressions for release and comment with the URCS rulemaking.

STAFFING

SENATOR LAUTENBERG: Provide for the record the Commission's staffing levels for fiscal year 1987 by office and by month (both full-time equivalents and part-time employees). Also include this information to date for fiscal year 1988.

ANSWER: The following table displays the number of full-time permanent and other employees by Bureau and Office for the beginning of each month for Fiscal Years 1987 and 1988 to date.

FY 1987 ONBOARD EMPLOYMENT

		OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.
Commissioners and their Offices	Full-time Permanent	39	39	39	39	41	40	39	40	39	39	39	40
	Other	5	4	4	4	2	1	1	1	1	0	1	2
	TOTAL	44	43	43	43	43	41	40	41	40	39	40	42
Secretary	Full-time Permanent	68	68	68	72	73	72	71	71	73	72	70	72
	Other	16	16	15	11	11	11	12	12	12	10	10	9
	TOTAL	84	84	83	83	84	83	83	83	85	82	80	81
General Counsel	Full-time Permanent	22	22	22	22	20	20	21	22	23	24	24	24
	Other	2	2	2	2	2	2	2	2	2	2	2	2
	TOTAL	24	24	24	24	22	22	23	24	25	26	26	26
Proceedings	Full-time Permanent	122	121	121	119	118	119	118	117	117	116	115	115
	Other	4	3	3	3	2	2	2	2	2	2	2	5
	TOTAL	126	124	124	122	120	121	120	119	119	118	117	120
Hearings	Full-time Permanent	5	5	5	5	5	5	5	5	5	5	5	5
	Other	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	5	5	5	5	5	5	5	5	5	5	5	5
Public Assistance	Full-time Permanent	12	12	13	13	13	14	14	14	13	13	13	13
	Other	0	0	0	0	0	0	0	0	1	1	1	1
	TOTAL	12	12	13	13	13	14	14	14	14	14	14	14

Transportation Analysis	Full-time Permanent	29	29	28	28	28	28	28	27	28	29	28	27
	Other	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	29	29	28	28	28	28	28	27	28	29	28	27
Accounts	Full-time Permanent	75	74	73	72	71	71	71	69	71	70	68	68
	Other	6	6	6	7	7	7	7	7	4	4	4	3
	TOTAL	81	80	79	79	78	78	78	76	75	74	72	71
Traffic	Full-time Permanent	69	69	68	68	69	71	71	71	71	71	70	69
	Other	0	0	0	0	0	0	0	0	0	0	0	1
	TOTAL	69	69	68	68	69	71	71	71	71	71	70	70
Compliance and Consumer Assistance	Full-time Permanent	189	189	193	195	196	200	198	198	197	198	200	201
	Other	6	4	6	7	9	9	8	9	9	9	5	6
	TOTAL	195	193	199	202	205	209	206	207	206	207	205	207
Managing Director	Full-time Permanent	68	68	68	69	69	69	70	71	71	70	71	71
	Other	5	5	4	5	5	5	5	5	5	5	5	5
	TOTAL	73	73	72	74	74	74	75	76	76	75	76	76
TOTAL	Full-time Permanent	698	696	698	702	703	709	706	705	708	707	703	705
	Other	44	40	40	39	38	37	37	38	36	33	30	34
	TOTAL	742	736	738	741	741	746	743	743	744	740	733	739

FY 1988 ON BOARD EMPLOYMENT

		OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.
Commissioners and their Offices	Full-time Permanent	41	41	41	41	41	41	40
	Other	0	0	0	0	0	0	0
	TOTAL	41	41	41	41	41	41	40
Secretary	Full-time Permanent	74	75	75	75	77	74	74
	Other	8	9	9	9	7	11	11
	TOTAL	82	84	84	84	84	85	85
General Counsel	Full-time Permanent	24	24	23	23	24	24	23
	Other	2	2	2	2	1	1	1
	TOTAL	26	26	25	25	25	25	24
Proceedings	Full-time Permanent	113	113	112	114	115	112	112
	Other	6	6	5	4	2	2	1
	TOTAL	119	119	117	118	117	114	113
Hearings	Full-time Permanent	5	5	5	5	5	5	5
	Other	0	0	0	0	0	0	0
	TOTAL	5	5	5	5	5	5	5
Public Assistance	Full-time Permanent	13	13	13	13	13	13	13
	Other	1	1	1	1	1	1	1
	TOTAL	14	14	14	14	14	14	14
Transportation Analysis	Full-time Permanent	26	26	27	27	27	28	27
	Other	0	0	0	0	0	0	0
	TOTAL	26	26	27	27	27	28	27
Accounts	Full-time Permanent	67	65	65	63	63	62	61
	Other	2	2	2	2	2	2	2
	TOTAL	69	67	67	65	65	64	63
Traffic	Full-time Permanent	67	67	67	67	66	66	65
	Other	1	1	1	1	1	1	1
	TOTAL	68	68	68	68	67	67	66
Compliance and Consumer Assistance	Full-time Permanent	200	204	203	198	196	198	197
	Other	6	3	4	6	5	5	5
	TOTAL	206	207	207	204	201	203	202
Managing Director	Full-time Permanent	70	69	69	70	71	70	72
	Other	5	5	5	5	5	5	5
	TOTAL	75	74	74	75	76	75	77
TOTAL	Full-time Permanent	700	702	700	696	698	693	689
	Other	31	29	29	30	24	28	27
	TOTAL	731	731	729	726	722	721	716

SEPARATE EXPRESSION OF COMMISSIONER LAMBOLEY: Please see my separate comment in the Commission's statement submitted for the record to the Subcommittee on May 23, 1988.

SENATOR LAUTENBERG: Update the detailed position chart for all of fiscal year 1987 and to date for fiscal year 1988, page 83, Senate Hearings 100-354, part 2.

ANSWER: On March 26, 1987, the Office of Personnel Management issued instructions to Federal agencies revising records maintenance procedures for employee details. These instructions (FPM Letter 300.32) eliminated requirements to record many of the more common types of details (such as those where an employee is assigned to perform duties similar to his/her own in a different office or organization).

In the absence of complete records on employee details, it is difficult to respond with certainty to your question. However, the following chart represents our best attempt to reconstruct the requested information.

MONTH	PERMANENT POSITION	PERMANENT OFFICE	DETAILED POSITION	DETAILED OFFICE
May 1986	Trial Attorney	General Counsel	Attorney-Advisor through December 1986	Chairman's Office
October 1986	Associate Director	Proceedings	Statement of Duties (Director's Office) through April 1987	Compliance and Consumer Assistance
January 1987	Attorney-Advisor	Proceedings	Attorney-Advisor through June 1987	Chairman's Office
February 1987	Attorney-Advisor	Proceedings	Statement of Duties (Energy and Environment) through May 1987	Transportation Analysis
	Attorney-Advisor	Proceedings	Attorney-Advisor through July 1987	Commissioner Lamboley's Office
March 1987	Trial Attorney	General Counsel	Attorney-Advisor through November 1987	Commissioner Sterrett's Office
June 1987	Attorney-Advisor	Proceedings	Attorney-Advisor through December 1987	Chairman's Office
July 1987	Attorney-Advisor	Proceedings	Attorney-Advisor through July 1988	Commissioner Lamboley's Office
December 1987	Attorney-Advisor	Proceedings	Attorney-Advisor through February 1988	Chairman's Office
February 1988	Attorney-Advisor	Proceedings	Attorney-Advisor through May 1988	Chairman's Office

SENATOR LAUTENBERG: How many special appointment days were used in fiscal year 1987 by office, and to date for fiscal year 1988?

ANSWER: There were 7,805 special appointment days used in fiscal year 1987 and 3,719 special appointment days used as of April 23 in fiscal year 1988.

SENATOR LAUTENBERG: Provide the fiscal year 1987 total overtime payments by month, by office and overtime to date for fiscal year 1988.

ANSWER: The monthly overtime costs for each Bureau and Office for Fiscal Year 1987 and 1988 to date follow.

FY 1987 OVERTIME

BUREAU/OFFICE	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUN.	JULY	AUG.	SEPT.	TOTAL
Commissioner and their Offices	$0	$300	$200	$0	$0	$0	$0	$0	$0	$0	$0	$0	$500
Secretary	300	5,100	0	800	2,100	6,700	0	0	1,600	800	7,200	3,400	28,000
General Counsel	100	1,400	100	100	100	500	0	0	100	100	0	100	2,600
Proceedings	300	0	0	500	1,700	900	100	0	0	0	0	0	3,500
Hearings	0	0	0	0	0	0	0	0	0	0	0	0	0
Public Assistance	0	0	0	0	0	0	0	0	0	0	0	0	0
Transportation Analysis	0	0	0	0	0	0	0	0	0	0	0	0	0
Accounts	0	0	0	0	0	0	0	0	0	0	0	0	0
Traffic	0	0	0	0	0	0	0	0	0	0	0	0	0
Compliance and Consumer Assistance	2,900	2,200	600	500	200	100	300	0	400	0	100	400	7,700
Managing Director	1,000	0	0	0	0	100	100	0	0	0	200	2,400	3,800
Total	$4,600	$9,000	$900	$1,900	$4,100	$8,300	$500	$0	$2,100	$900	$7,500	$6,300	$46,100

FY 1988 OVERTIME

BUREAU/OFFICE	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	TOTAL
Commissioner and their Offices	$0	$0	$0	$0	$0	$300	$300
Secretary	100	0	0	9,100	600	1,500	11300
General Counsel	200	0	0	700	500	200	1600
Proceedings	0	0	0	0	700	0	700
Hearings	0	0	0	0	0	0	0
Public Assistance	0	0	0	0	0	0	0
Transportation Analysis	0	0	0	0	0	0	0
Accounts	0	0	0	0	0	0	0
Traffic	0	0	0	0	0	0	0
Compliance and Consumer Assistance	700	0	0	0	0	0	700
Managing Director	1,000	0	0	800	0	900	2700
Total	$2,000	$0	$0	$10,600	$1,800	$2,900	$17,300

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SENATOR LAUTENBERG: Provide a copy of the current organization chart, including the names of the head of each office.

ANSWER: The following is the list of Heads of Bureaus and Offices and current organization chart.

Office of Government and Public Affairs
Alexander H. Jordan, Director

Office of Human Relations
Alexander W. Dobbins, Director

Office of Internal Audit
(vacancy)

Office of the Managing Director
Edward E. Guthrie, Managing Director

Office of the Secretary
Noreta R. McGee, Secretary

Office of the General Counsel
Robert S. Burk, General Counsel

Office of Proceedings
Jane F. Mackall, Director

Office of Hearings
Paul S. Cross, Chief Administrative Law Judge

Office of Public Assistance
Samuel E. Eastman, Director

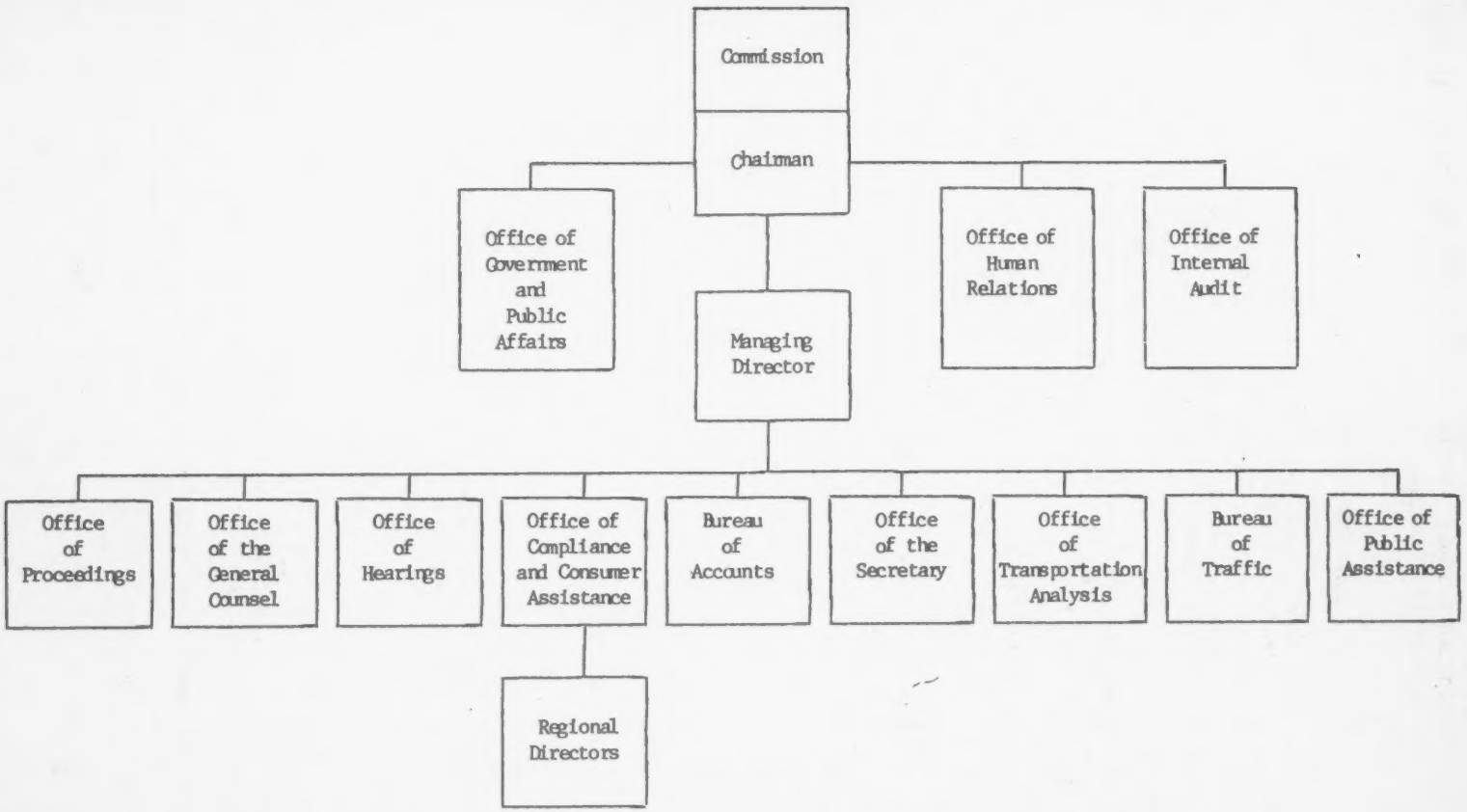
Office of Transportation Analysis
John F. Hennigan, Jr., Director

Bureau of Accounts
Richard H. Klem, Director

Bureau of Traffic
Neil S. Llewellyn, Director

Office of Compliance and Consumer Assistance
Bernard Gaillard, Director

INTERSTATE COMMERCE COMMISSION



SENATOR LAUTENBERG: Update the status of the Commissioners' seats and expiration of terms.

ANSWER:

COMMISSIONERS AND EXPIRATION OF TERMS

Malcolm M. B. Sterrett, December 31, 1987.[1]/
Frederic N. André, December 31, 1987.[2]/
Heather J. Gradison, December 31, 1988.
Paul H. Lamboley, December 31, 1989.
J. J. Simmons III, December 31, 1990.

1/ Karen Borlaug Phillips' nomination for a term expiring December 31, 1991, was submitted to the Senate on February 29, 1988.

2/ Reappointment for a term expiring December 31, 1992, was submitted to the Senate on August 7, 1987.

SENATOR LAUTENBERG: Provide the name, grade and position of each staff member assigned to each Commissioner's office. Also, separately list all members detailed to a Commissioner's office in fiscal year 1987 and to date in 1988.

ANSWER: The following charts provide the name, grade, and position of each staff member currently assigned to each Commissioner's office and information on short-term details of employees to a Commissioner's office for Fiscal Years 1987 and 1988 to date.

Name	Grade	Position
Office of Chairman Gradison		
David M. Konschnik	ES-6	...Chief of Staff
Jule R. Herbert, Jr.	ES-3	...Senior Staff Counsel
Edward J. O'Meara	GM-15	...Attorney advisor
Thomas J. Barry*	GM-15	...Attorney advisor
Hildred I. Smith	GS-12	...Confidential assistant
Linda D. Corsnitz	GS-9	...Secretary
Office of Vice Chairman André		
Maynard Dixon	GM-15	...Attorney advisor
William A. Mullins	GM-15	...Attorney advisor
Elaine R. Burkhardt	GS-11	...Confidential assistant
Lenore M. Cummings	GS-8	...Secretary
Office of Commissioner Sterrett		
Peter J. Gallagher	GM-15	...Attorney advisor
Kathleen D. Ribaudo	GM-15	...Attorney advisor
Maria T. Foti	GS-11	...Confidential assistant

Office of Commissioner Simmons

Van A. Bosco	GM-15	...Attorney advisor
Ricky L. Crawford	GM-15	...Attorney advisor
Thomas T. Vining	GM-15	...Attorney advisor
Hazel M. Lowe	GS-11	...Confidential assistant
Rebecca W. Powell	GS-8	...Secretary

Office of Commissioner Lamboley

Dixie F. Horton	GM-15	...Attorney advisor
Theodore K. Kalick*	GM-15	...Attorney advisor
Kathryn L. Winsberg	GM-15	...Attorney advisor
Lucy A. Aloi	GS-11	...Confidential assistant
Lorelei W. Ransome	GS-8	...Secretary

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* Employee detailed from Office of Proceedings

MONTH	PERMANENT POSITION	PERMANENT OFFICE	DETAILED POSITION	DETAILED OFFICE
May 1986	Trial Attorney [Sidney Strickland]	General Counsel	Attorney-Advisor through December 1986	Chairman's Office
January 1987	Attorney-Advisor [Paul Nishimoto]	Proceedings	Attorney-Advisor through June 1987	Chairman's Office
February 1987	Attorney-Advisor [Dixie Horton]	Proceedings	Attorney-Advisor through July 1987	Commissioner Lamboley's Office
March 1987	Trial Attorney [Richard Osterman]	General Counsel	Attorney-Advisor through November 1987	Commissioner Sterrett's Office
June 1987	Attorney-Advisor [John Sado]	Proceedings	Attorney-Advisor through December 1987	Chairman's Office
July 1987	Attorney-Advisor [Theodore Kalick]	Proceedings	Attorney-Advisor through July 1988	Commissioner Lamboley's Office
December 1987	Attorney-Advisor [Barbara Reideler]	Proceedings	Attorney-Advisor through February 1988	Chairman's Office
February 1988	Attorney-Advisor [Thomas Barry]	Proceedings	Attorney-Advisor through May 1988	Chairman's Office

CONTRACT COSTS

SENATOR LAUTENBERG: Provide the activity and all contract costs incurred by the Commission in fiscal years 1986 and 1987, projected for fiscal years 1988 and 1989.

ANSWER: The program activity contract costs incurred in Fiscal Years 1986 and 1987 and projected for Fiscal Years 1988 and 1989 follow.

PROGRAM CONTRACTS

BUREAU/OFFICE	CONTRACT	FY 1986 ACTUAL	FY 1987 ACTUAL	FY 1988 PROJECTED	FY 1989 PROJECTED
Secretary:					
	Stenographic Reporting	$11,000	$6,400	$10,000	$10,000
	Courier Services	14,000	15,200	20,000	20,000
	Total	$25,000	$21,600	$30,000	$30,000
Transportation Analysis:					
	Rail Waybill Sample	75,000	100,200	75,000	75,000
	Rail Services Monitoring	58,000	57,700	40,000	40,000
	Supplemental Environmental Services	75,000	59,700	100,000	100,000
	Total	$208,000	$217,600	$215,000	$215,000
Accounts:					
	Compilation of Transport Statistics (motor and rail)	54,000	57,000	49,000	45,000
	Development of Rail Costing Data	0	0	15,000	0
	RCAF Productivity Adjustment	0	144,900	0	0
	Total	$54,000	$201,900	$64,000	$45,000

LABOR RIGHTS

SENATOR LAUTENBERG: The 3rd Circuit Court recently barred the sale of the Pittsburgh and Lake Erie Railroad until an agreement is reached with the company's 750 union workers. This apparently reverses the Commission's position that allows short-line sales without the usual labor protection.

What was the rationale for the Commission's earlier position?

ANSWER: Congress gave the Commission the discretion to decide whether or not to impose conditions to protect employees adversely affected by the sale of rail lines to companies that are not rail carriers. The Commission in the normal situation does not impose employee protection conditions in these cases. The conditions are imposed where "exceptional circumstances" are shown. The Commission would consider as exceptional, situations in which there was misuse of the Commission's rules or precedent, or where existing contracts specified that line sales were subject to procedural or substantive protection. Further, the exemption will be modified where labor can demonstrate injury that was unique, disproportionate to the gains achieved for the local transport system, and which can be compensated without causing termination of the transaction or substantially undoing the prospective benefits of the Commission's existing policy for other communities and locales.

The rationale for the Commission's policy is to promote continued rail service on lines that generally are unprofitable, or only marginally profitable. If the Commission were to impose employee protection conditions on the seller in such cases, the cost associated with those conditions would be passed on to the purchaser through an increased price for the line. If labor protection were imposed on the purchaser, it would bear the cost directly. In either case, the additional costs of labor protection would add substantially to the economic burdens faced by the new operator and diminish either its interests in acquiring

the line, or its chances of success if it purchased the line. This could lead to lines being abandoned and service and jobs lost. The Commission's goal is to take actions to preserve both service to communities and shippers and railroad jobs.

The Commission's experience with acquisition and operation transactions has been that the acquiring firms bring new vitality, including substantial rehabilitation, to the lines. Typically, the new operators have close ties to local communities and provide better service, often at lower rates. The new operators know that the good will of shippers on the line is critical to their success and usually work closely with those shippers, both before and after a sale.

The Commission's policy in this area has been upheld by the courts. The recent decision of the Third Circuit in Railway Labor Executives' Association v. Pittsburgh & Lake Erie Railroad Company, ___ F.2d ____ (3rd Cir. 1988) (RLEA v. P&LE) did not take issue with the Commission's interpretation of Section 10901 or the exercise of its discretion under that statutory authority. Rather, the court held in a 2-1 split decision that the Commission's exemption of the sale of the Pittsburgh and Lake Erie Railroad pursuant to section 10505 of the Interstate Commerce Act (ICA) and the Commission's implementing regulations did not operate to relieve the P&LE of the obligations imposed upon it by section 6 of the Railway Labor Act (RLA). The court acknowledged that a prolonged delay of the sale of the P&LE "enforced by the purposefully long and drawn out . . .bargaining procedures of the RLA. . . could effectively kill the proposed transaction and ultimately push the railroad into a bankruptcy proceeding." RLEA v. P&LE, at 43-44. The dissenting judge noted that the majority's decision contravened the Staggers Rail Act, that Congress intended the ICA to prevail over the RLA, and that the RLEA action was an impermissible collateral attack on the Commission's order. The Commission is considering the filing of a petition for a writ of certiorari to the Supreme Court in this case.

SEPARATE EXPRESSION OF COMMISSIONER SIMMONS: Congress has directed the Commission to weigh interests of labor as a part of the public interest considerations associated with section 10901 sales. I have supported the policy of not imposing labor protective conditions in these cases absent exceptional circumstances because I believe it has contributed, to some extent, to the preservation of lines that would otherwise have been abandoned. However, the majority has recently gone beyond its past approach and has implied that there can be virtually no valid justification for departure from this policy. The new approach indicates a certain lack of objectivity and fairness in the application of that policy. Furthermore, the majority has outlined what conditions would be required in order for labor interests to meet the "exceptional circumstance" tests that are almost impossible to meet.

SEPARATE EXPRESSION OF COMMISSIONER LAMBOLEY: Please see my separate expression in F.D. No. 31121, et al., P & LE Railco, Inc. - Exemption Lines of the Pittsburgh and Lake Erie Railroad Co. and the Youngstown and Southern Ry Co., served September 29, 1987 which is attached.

OFFICE OF VICE CHAIRMAN LAMBOLEY

FINANCE DOCKET NO. 31121

P&LE RAILCO, INC.--EXEMPTION ACQUISITION AND OPERATION--
LINES OF THE PITTSBURGH AND LAKE ERIE RAILROAD COMPANY AND
YOUNGSTOWN AND SOUTHERN RAILWAY COMPANY

FINANCE DOCKET NO. 31122

CHICAGO WEST PULLMAN CORPORATION--CONTINUANCE IN CONTROL
EXEMPTION--P&LE RAILCO, INC. AND--CONTROL EXEMPTION--THE
PITTSBURGH, CHARTIERS AND YOUGHIOGHENY RAILWAY COMPANY

FINANCE DOCKET NO. 31126

RAILWAY LABOR EXECUTIVES' ASSOCIATION
v.
PITTSBURGH & LAKE ERIE RAILROAD CO., ET AL.

September 29, 1987

MEMORANDUM TO CHAIRMAN GRADISON:

If I am in the minority, please show me with the following separate expression.

Paul H. Lamboley

cc: All Commissioners
Director Mackall
Deputy Director Dettmar
Clearance Unit

- -

VICE CHAIRMAN LAMBOLEY, dissenting:

I would grant a stay for a period of time not to exceed 15 days, in order to more fully consider issues raised concerning the propriety of exemption in the circumstances of this case, and at the same time to afford the parties an opportunity to continue efforts to negotiate resolution of certain critical issues.

Currently the rail operations are involved in a strike, the scope of which encompasses not only the seller and potentially the putative buyer, but also aspects of the transaction for which exemption is here requested.

Denial of stay as the majority has chosen to do, raises significant new issues concerning the scope of Commission jurisdiction and the accommodation of the ICA and RLA.[1/]

As to jurisdiction, in the absence of stay, it is not clear that Commission will continue to have jurisdiction over the seller which upon closing, will cease to be a carrier. Then ordinary corporate and contract law questions may replace transportation subject matter issues. The remedial alternatives against the seller may now be more restricted. Indeed, revocation of exemption may no longer be an available remedy. In my view, whether the Commission can effectively condition a denial of stay and retain jurisdiction is debatable.

As to preemption or accommodation of the ICA and the RLA, it is likewise not clear at this juncture whether existing activity

1/ Interstate Commerce Act, 49 U.S.C. Sections 10101, et seq.
Railway Labor Act, 45 U.S.C. Sections 151, et seq.

presumably legitimate and lawful under the RLA, for which injunctive relief has been judicially denied, may nevertheless be transformed into unlawful activity by virtue of a subsequent sale transaction under the ICA, arguably exempted from review under the class exemption of Ex Parte No. 392 (Sub-No.1). The majority decision is presently silent on this significant issue.

Finally, other issues aside, considering the equities of all parties, their respective benefits and burdens, and the Commission's discretionary policy regarding employee displacement issues, in my view, stay is appropriate for brief period to evaluate the seller's status after terminating its entire rail operations and its apparent insolvent financial condition.

SENATOR LAUTENBERG: How has the Circuit Court's decision affected the Commission's proceedings in this area?

ANSWER: We have experienced a sharp decline in the filing of line-sale transactions. During the first quarter of Fiscal Year 1988, 29 line-sale cases were filed with the Commission. Only 10 such cases were filed during the second quarter, a drop of almost 66%. Third quarter filings total five through May 9, 1988. We anticipate an upward surge in abandonments if the number of line-sale filings continues to decline.

SENATOR LAUTENBERG: What short-line sales are pending?

ANSWER: As of May 9, 1988, eight short-line sales cases were pending before the Commission on petitions to revoke. In all cases, the exemptions are in effect, but some of the sales have not been consummated due to the 3rd Circuit's decision. We do not have reliable information regarding how many other short-line sales are pending in the sense that negotiations are underway but have been chilled as a result of the court's action.

Set forth below is the docket number, acquiring entity, and selling entity for the eight cases pending on petition to revoke.

Finance Docket No.	Acquiring Entity	Selling Entity
30891	Paducah & Louisville Railway, Inc.	Illinois Central Railroad Company
31089	Montana Rail Link, Inc.	Burlington Northern Railroad Company
31102	Wisconsin Central, Ltd.	Soo Line Railroad Company
31110	Chicago-Chemung Railroad Corporation	Chicago and North Western Transportation Company
31116	Buffalo & Pittsburgh Railroad, Inc.	CSX Transportation, Inc., and Buffalo, Rochester and Pittsburgh Railway Company

31121	P&LE Railco, Inc.	Pittsburgh and Lake Erie Railroad Company and The Youngstown and Southern Railway Company
31187	South Eastern Rail Corporation	Gulf & Mississippi Railroad Corporation
31205	FRVR Corporation	Chicago and North Western Transportation Company

SENATOR LAUTENBERG: How has the Court's decision affected these applications?

ANSWER: The Commission has been advised that in five of those eight cases the carriers have consummated the sale pursuant to the Commission's authority in a "class exemption" promulgated by rule in Class Exemption for the Acquisition and Operation of Rail Lines Under 49 U.S.C. 10901, 1 I.C.C.2d 810 (1986), aff'd. sub nom. Illinois Commerce Commission v. Interstate Commerce Commission, 817 F.2d 145 (D.C. Cir. 1987). Under our rules, each of these exemptions became effective 7 days after an individual notice was filed involving the exemption for that transaction. It does not appear that those transactions could be affected by the provisions of section 6 of the Railway Labor Act (RLA) which require the maintenance of the status quo in certain situations. All eight sales are pending before the agency on petitions to revoke the exemptions which the carriers invoked by filing the notices.

One of the remaining three cases is the Pittsburgh and Lake Erie sale, which of course has been postponed and, according to the statements by one of the parties in the media, was off even before the court's decision. The other two are the FRVR and the Buffalo and Pittsburgh cases. The petitioners in FRVR are presently in litigation with representatives of rail labor on the issue of the Interstate Commerce Act's (ICA) pre-emption of the RLA. FRVR has apparently obtained a favorable ruling in U.S. District Court in the Northern District of Illinois, Civ. Action No. 88-C0444, Chicago and Northwestern Transportation Co. v. RLEA et al.; that decision is now on appeal in the U.S. Court of Appeals for the Seventh Circuit. We do not know if the Third Circuit's decision has had any effect on the Buffalo and Pittsburgh transaction, or whether labor has invoked the RLA in that transaction.

SENATOR LAUTENBERG: What is the Commission's position on balancing the labor considerations imposed by the Railway Labor Act versus the deregulation thrust of the Staggers Act?

ANSWER: The Staggers Rail Act established a Rail Transportation Policy which stressed the need to rely on competition rather than regulation and the need to encourage carrier initiative. It also specifically stated that it was the policy of the United States Government "to encourage fair wages

and safe and suitable working conditions in the railroad industry." The Interstate Commerce Act (ICA), as amended by Staggers, provides a framework within which the railroad industry is beginning to regain the economic health it needs to adequately serve the public. The Commission and the railroads must consider and promote the interests of rail labor as part of the overall public interest. Under the ICA, railroads, for example, must provide up to six years of protection to employees affected by numerous regulated transactions, such as mergers, sales to other railroads and abandonments. Other industries are not required to provide this protection.

Moreover, the labor guarantees in the ICA are structured to accommodate the agency's regulatory role. That is, procedures to assure timely implementation of ICC-approved transactions subject to labor protection are mandatory. The Railway Labor Act (RLA), in contrast, offers no such accommodation of the regulatory activity.

Because of this, the ICA pre-empts the RLA in certain transactions. In all of those instances the Commission is authorized to impose labor protection conditions. In some it is required to, in others it may exercise its discretion.

Were the RLA to be imposed on these transactions it would destroy the framework that the Congress had established for the consideration of labor interests in carrying out the Interstate Commerce Act. Many actions the agency approves as in the public interest could be held up by pursuit of remedies under the RLA, and the ability of the ICC to carry out the policies of the ICA would be threatened.

SEPARATE EXPRESSION OF COMMISSIONER LAMBOLEY: In my view, the Commission has failed to adequately balance the interests and accommodate the activities taken under the RLA and ICA respectively. It is this failure which has aggravated relationships, removed reciprocity and mutuality of incentives for collective bargaining and dispute resolution, fueled the fires of litigation in various state and federal forums, and has been the impetus for Congressional action.

My views on needed problem solving by the Commission have been expressed on several occasions. Examples of two such statements are attached.

The ICC has a decided role and opportunity to act as a constructive forum to craft an appropriately balanced solution. To date we have not so acted.

OFFICE OF COMMISSIONER LAMBOLEY

EX PARTE NO. 392 (SUB-NO. 1)

CLASS EXEMPTION FOR THE ACQUISITION AND OPERATION OF RAIL LINES UNDER 49 U.S.C. 10901

January 6, 1986

MEMORANDUM TO ACTING CHAIRMAN SIMMONS:

Please show me with the following separate expression.

Paul H. Lamboley

cc: All Commissioners
Director Mackall
Deputy Director Gitomer
Clearance Unit

COMMISSIONER LAMBOLEY, concurring in part, dissenting in part:

I believe exemption is appropriate for the class of transactions generally associated with the establishment, or continuation of short line rail service. Such integrated transactions have customarily included proposals for acquisition or substitution, operation, and control combined with incidental trackage rights agreements, as well as necessary financing arrangements. Recognizing the need to facilitate continued, even competitive, rail service, we have in the past customarily granted exemption from relevant statutes on a case by case basis to achieve that purpose based on appropriate findings under Section 10505.

The class exemption here granted flows from the aggregate of those cases, but should not be read to encompass those more expansive situations which are not of limited scope, nor otherwise without concern for potential market abuse.1/

1/ See e.g., FD No. 30439 Gulf & Miss. R.R. Corp. - Purchase Exemption I.C.G. R.R.; (not printed) served January 2, 1985 and FD No. 30663 Chicago Cent. & Pac. R.R. Co. - Purchase Trackage Rights and Securities Exemption I (not printed) served September 17, 1985 and II (not printed) served December 24, 1985. In both cases the Commission ultimately granted exemptions. However, it did so in each instance, only after commencing investigation and discovery coupled with the subsequent withdrawal of opposition reflecting negotiated

Moreover, while exemption is appropriate, I am persuaded by certain comments that it should include service of notice on State authorities together with relevant financial and operational information. Such informational notice would provide knowledge to aid those economically interested in evaluating the impact and viability of the proposed transactions.

Finally, I do not share the majority's analysis of employee protection issues. Although Section 10901, employee protective conditions are matters within the Commission's discretion, this exemption fails to either articulate the criteria or identify the circumstances upon which such discretion is exercised in favor of these conditions. Rather, the Commission in essence finds that it has not imposed such conditions in the past, and holds that it anticipates no need to do so in the future, although it does allude to the possibility in an "extraordinary case."

Precedent other than that historically recalled in the decision, evidences recent Commission and judicial approval for the imposition of protective conditions in Section 10901 cases.2/

Moreover, this exemption presumes that all relevant transactions fall within Section 10901. However, prior cases evidence that Section 11343 may apply to aspects of the integrated transactions generally proposed. Thus labor protection is required.3/

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settlement of market issues allowing the Commission to find and conclude that the proposed transactions were essentially free from potential market abuse. Indeed, had those circumstances not occurred, exemption would not have been appropriate in light of fact patterns involving substantial numbers of multi-state rail miles, shippers and employees, all of which removed the cases from being fairly considered as "limited in scope" or easily remedied after-the-fact by revocation of exemption.

2/ See e.g., Durango & Silverton N.G.R. Co. - Acquisition & Operations 363 ICC 292 (1979), affm'd RLEA v. U.S. 697 F2d 285 (10th Cir. 1983); Prairie Truck Railway - Acquisition and Operation, 348 ICC 832 (1977) affm'd People of State of Illinois v. U.S. 604 F2d 519 (7th Cir. 1979); see also Cadillac & Lake City Rv Co. - Acquisition & Operation, 320 ICC 617 (1964).

3/ See e.g., FD No. 30682, Hammermill Paper Co. - Exemption (not printed) served August 21, 1985 and FD No. 30657, Green Hills Rural Development, Inc. & Chillicothe Southern Railroad Co. supra.

The majority seems to view the labor protection issue only in the context of employees as being represented by a labor organization and an assessment of the cost impact based on negotiated labor agreements.

This exemption expressly includes the substitution of one operator for another, which may merely involve the replacement of one short line operation by another, neither of which may necessarily have employees represented by any labor organization or working under a labor agreement.4/ Consequently, assumptions regarding cost impact based solely on collective bargaining agreements are inaccurate.

In my view, the decision on the employee protection issue is overbroad and without substantial evidentiary support for its conclusions.5/ The class exemption need not include a blanket prospective finding that employee protective conditions are unnecessary. This approach does little to reduce the prospects of future litigation and jeopardizes the benefits this exemption otherwise seeks to provide by facilitating continued rail transportation service.6/ I would have preferred disposition of this issue on a basis that allows a time limited submission and decision on employee protection prior to the effective date of exemption.7/ This, I believe would avoid the more complex revocation proceedings or problems similar to those experienced in the handling of the Maryland Midland case, supra, n. 5.

4/ See e.g., FD No. 30657 Green Hills Rural Development, Inc. & Chillicothe So. Ry Co. - Exemption (not printed) served January 10, 1986, FD No. 30457 San Diego & Imperial Valley R.R. Co., (not printed) served October 7, 1985; FD No. 30709 Canonie Atlantic Co. and Canonie, Inc. - Exemption (not printed) served September 11, 1985.

5/ The decision also fails to address remedial procedures and burden of proof in the event revocation is sought in any particular instance to which the class exemption may arguably apply.

6/ See e.g., No. 30237 Maryland Midland Group, Inc. - Exemption (not printed) served September 19, 1983, reopening denied (not printed) served March 14, 1985, review filed May 17, 1985 UTU v ICC Case No. 85-1304 (D.C. Cir.), voluntarily reopened by Commission (not printed) served October 3, 1985.

7/ Cf Motor Carrier Exemption at 49 CFR 1186.1 et seq.; codifying Ex Parte No. 55 (Sub-No. 57), Exemption of Certain Transactions Under 49 U.S.C. 11343, ICC 2d, served December 11, 1984.

OFFICE OF COMMISSIONER LAMBOLEY

Ex Parte No. 392 (Sub-No. 1)

CLASS EXEMPTION FOR THE ACQUISITION OF RAIL LINES UNDER 49 U.S.C. 10901

February 25, 1988

MEMORANDUM TO CHAIRMAN GRADISON:

Please show me with the following separate expression.

Paul H. Lamboley

cc: All Commissioners
General Counsel Burk
Director Mackall
Director Klem
Deputy Director Dettmar
Clearance Unit

COMMISSIONER LAMBOLEY, dissenting in part:

In general, I concur in the decision on reopening as it reaffirms the original class exemption and procedures for establishing or acquiring Class III rail lines.

However, I am concerned about the developing practice of filing Notices of Exemption under this proceeding after five o'clock p.m. on Friday afternoon by delivering the same to Commission building security. Under our current rules, the exemption is effective 7 days later, i.e., the following Friday. By filing after business hours with an intervening weekend, the notice period has been effectively shortened to 5 business days. Indeed, the Secretary's office does not formally lodge the Notice until Monday.

Obviously, this tactic is designed to further restrict the time available to address the Notice. If this practice persists, I will support appropriate action regarding any exemption so noticed, be it responsive to interested parties, or sua sponte by the Commission. Further amendment to regulations may be necessary to exclude non-business days from the notice period.

Finally, I disagree with that portion of this decision which now attempts to expand the scope of the original exemption to include Class I and Class II railroad transactions, proposed here for the first time.

The rules here adopted by the majority lack sufficient detail and are unsatisfactory, particularly because they fail to address the procedural and substantive issues raised by various interests in previous cases involving exemption carriers and non-carriers in Class I or Class II category transactions. Experiences gleaned from the records in past cases[1]/ provide ample transactional background from which the Commission can anticipate substantive concerns and fashion appropriate procedures for exemption.

A more definite proposal should include timely and appropriate notice to affected or interested parties combined with requirements that provide meaningful information on financial condition, and viability, operational plans, traffic or market agreements and employee impact. This information would allow such diverse interests as other carriers, shippers, employees, communities, and agencies the opportunity to assess the various aspects of these transactions and prepare appropriate comment, if any warranted. Such basic information should of necessity have already been prepared and provided to others.

Certainly a more streamlined and expeditious procedure would be worthy of consideration and should be pursued. If the opportunity for continued rail service is truly the transportation purpose to be served by these tranactions, stability and predictability in procedures should be desired goals. From experiences to date, it is fair to say that those aspects have been lacking in Commission policy and procedure as it relates exemption of Class I and II to transactions.

In sum, I would limit the present proceeding to reaffirming that the scope and application of the existing exemption is limited to Class III railroad acquisitions as originally contemplated. I would further open a new proceeding with an appropriate notice to formulate an expedited, defined

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[1]/ See for example the cases listed in Appendix A.

process for Class I and Class II railroad transactions with a view toward either approval or exemption.

APPENDIX A

Finance Docket No. 30429, Gulf and Mississippi Railroad Corp. - Purchase (Portion) - Exemption - Illinois Central Gulf Railroad Company (not printed), served January 2, 1985

Finance Docket No. 30663, Chicago, Cent. & Pac. R.R. Co. - Purchase Trackage Rights and Securities Exemption (not printed), served September 17, 1985

Finance Docket No. 30911, Chicago, Missouri & Western Railway Company - Exemption, Acquisition and Operation - Illinois Central Gulf Railroad Company (not printed), served December 5, 1986

Finance Docket No. 30891, Paducah Louisville, Inc. - Acquisition and Operation Exemption - Illinois Central Gulf Railroad Company, served May 1[illegible], 1987

Finance Docket No. 30915, Otter Tail Valley Railroad Co. - Acquisition and Operation Exemption - Burlington Northern Railroad Company (not printed), served July 2, 1987

Finance Docket No. 31089, Montana Rail Link, Inc. - Exemption Acquisition and Operation - Certain Lines of Burlington Northern Railroad Company (not printed), served December 21, 1987

Finance Docket No. 31102, Wisconsin Central Ltd. - Exemption Acquisition and Operation of Certain Lines of Soo Line Railroad Company (not printed), served October 8, 1987

Finance Docket No. 31113, TP&W Acquisition Corporation - Exemption Acquisition and Operation - Certain Lines of the Atchinson, Topeka and Santa Fe Railway Company (not printed), served November 9, 1987

Finance Docket No. 31121, P&LE Railco, Inc. - Exemption Acquisition and Operation - Lines of The Pittsburgh and Lake Erie Railroad Company and the Youngstown and Southern Railway Company (1) (not printed), served September 29, 1987

Finance Docket No. 31186, MidSouth Corporation - Continuance in Control Exemption - Southeastern Rail Corporation (not printed), served February 12, 1988.

OFFICE OF COMMISSIONER LAMBOLEY

FINANCE DOCKET NO. 31205

FRVR CORPORATION--ACQUISITION AND OPERATION EXEMPTION--CERTAIN LINES OF CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY--PETITION FOR CLARIFICATION

January 28, 1988

MEMORANDUM TO CHAIRMAN GRADISON:

Please show me with the following separate expression.

Paul H. Lamboley

cc: All Commissioners
Director Mackall
Deputy Director Dettmar
Clearance Unit

COMMISSIONER LAMBOLEY, dissenting:

While no one disputes the authority of the Commission to issue declaratory orders,[1] I believe to do so in this instance is an inappropriate use of process. In my view, there is insufficient evidence of controversy or uncertainty to warrant the issuance of this "clarifying" decision.

In invoking the class exemption process under Ex Parte No. 392 (Sub-No. 1)[2] petitioners have also requested that the agency declare that its authority under 49 U.S.C. 10901 supersedes the provisions of the Railway Labor Act (RLA)[3] and the Norris LaGuardia Act.[4] They do so because of an alleged

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[1] 5 U.S.C. 554(e)

[2] Ex Parte No. 392 (Sub-No. 1), Class Exemption for Acquisition and Operation of Rail Lines Under 49 U.S.C. 10901, 1 I.C.C. 2d 810 (1985)

[3] 45 U.S.C. 151, et seq.

[4] 29 U.S.C. 101, et seq.

"climate of uncertainty" which it is claimed impedes consummation of the proposed transaction. Upon closer examination it becomes evident that the alleged controversy or uncertainty results from judicial decisions as well as petitioners' own conduct, neither of which the declaratory order requested from this agency will necessarily resolve. Indeed, this order may well exacerbate matters not only for this case but for constructive activity in this forum on such issues in the future.

Petitioners argue such action is necessary because several recent court decisions[5/] "reflect a misapplication of the accommodation doctrine and a misunderstanding of this Commission's role in addressing labor issues pertaining to transactions within its jurisdiction." The petitioners do not agree with the outcome of judicial action in which they did not participate, although the Commission did. Without more, the petitioners simply request that the Commission here render a "proper" interpretation of applicable law by declaratory order. Petitioners offer neither substantial reason nor purpose for their request as it may relate to judicial activity.

Additionally, petitioners claim the Commission's declaratory order is necessary because, while CNW has met with the rail unions and informal discussions have taken place, no agreements have been reached since the unions believe (apparently contrary to petitioners) that RLA procedures apply

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5/ Railway Labor Executives' Association v. Pittsburgh & Lake Erie R. Co., - F.2d - (No. 87-3664, 3rd Cir. October 26, 1987) (P&LE I) and Railway Labor Executives' Association v. Pittsburgh & Lake Erie R. Co., Civil Action No. 87-1745 (W. D. Pa. Nov. 1987), appeal pending sub. nom. Railway Labor Executives' Ass'n v. Pittsburgh & Lake Erie Co., No. 87-3797 (3rd Cir. filed Nov. 25, 1987) (P&LE II).

to such discussions. The petitioners do not explain why they simply do not file a request with the Commission to fashion and impose appropriate protective conditions, with post consummation negotiation and arbitration procedures, if need be. Such request for relief would squarely address alleged controversy or uncertainty concerns relating to the process and substance of negotiation.

In sum, neither judicial action nor voluntary conduct is sufficient premise upon which to establish controversy or uncertainty as cause for declaratory relief in this case.

Further, quite apart from the lack of any legitimate, demonstrable need for declaratory relief, I fail to see that this order makes any significant contribution toward resolution of statutory "accommodation" issues. There is little doubt that the Commission does not have the requisite jurisdiction to interpret the applicability and scope of statutes other than ICA. Certainly the agency may "express its viewpoint". Such as it is. It is a position which has been expressed repeatedly in court briefs[6]/ submitted by the Commission, and is well known. This decision appears to be little more than an attempt to supplement argument in briefs previously filed and bolster prior discussion in Ex Parte No. 392 (Sub-No. 1).[7]/ It is self-serving and offers no new instruction.

Moreover, of particular concern here, is the eagerness to justify a well known position, the effect of which places the

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6/ See for example, the Commission's brief in P&LE II, also a letter to District Judge dated October 8, 1987.

7/ Ex Parte No. 392 (Sub-No. 1), Class Exemption for the Acquisition and Operation of Rail Lines Under 49 U.S.C. 10901, 1 I.C.C. 2d 810 (1985).

Commission in the position of apparent bias. This is especially true here because, in addition to the extended discussion of the Ex Parte No. 392 (Sub-No. 1) and pre-emption matters, this decision addresses specific employment security and displacement issues in this transaction, and consequently, in anticipatory fashion, effectively prejudices and precludes meaningful consideration of any subsequent petition for revocation raising protective condition issues. The lack of agency restraint here has unfortunate ramifications.

Finally, after all things are considered, it is fair to say that any instability or uncertainty over employment security and displacement issues is largely a consequence of our own doing by decisions such as this, as well as those in Ex Parte No. 392 (Sub-No. 1) and its progeny. Legitimate transportation transactions under the ICA have been authorized in an manner which encourages and permits unilateral abrogation of legitimate, collective bargaining agreements and statutory requirements of the RLA, without procedural or substantive accommodation of respective interests. Mutuality and reciprocity in collective bargaining contemplated by the RLA and resultant market-based arrangements have been nullified by our approach. It is small wonder then that the incentives for problem solving and dispute resolution through the negotiation process have been diminished and relations have become unstable.

It has become abundantly clear in these cases that the essence of the disputes is labor relations issues, not

transportation.[8]/ Assuming jurisdiction, the Commission's current fixed position prevents adjustment and resolution in this forum.

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[8]/ See, also BN letter dated December 2, 2987 in Finance Docket No. 31163, Winona Bridge Railroad Company Trackage Rights - Burlington Northern Railroad Company.

WEST 30TH STREET

SENATOR LAUTENBERG: What is the status of the West 30th Street track abandonment case, Docket No. AB-167?

ANSWER: On February 11, 1988, the Commission dismissed Conrail's application to abandon this line. This hopefully will bring to a close this long-standing dispute.

In April and June of last year, the agency reaffirmed and refused to stay an earlier decision to reject West Side's offer of financial assistance. We were about to issue the certificate authorizing abandonment when, on June 24, 1987, Conrail advised that it was withdrawing the application and moved to dismiss the case. While various replies in opposition were initially filed by the City of New York, and the New York DOT, these interests withdrew their opposition apparently after satisfactory discussions with Conrail. In the decision served February 11, the Commission found that continuing opposition to withdrawal from the private interests (Chelsea Property Owners, Rockrose Development Corporation, and the Madison Square Garden Corporation) was insufficient to warrant refusing to dismiss the application.

REPROGRAMMING

SENATOR LAUTENBERG: Provide the fiscal year 1987 appropriated levels (dollars and staffing), the level after reprogramming and the actuals for that year.

ANSWER: The following table details the appropriated funds and staff-year levels, revised distribution after reprogramming, and actual expenditures for Fiscal Year 1987.

FY 1987

BUREAU/OFFICE	APPROPRIATED ($000)	APPROPRIATED STAFF	LEVEL AFTER REPROGRAMMING ($000)	LEVEL AFTER REPROGRAMMING STAFF	ACTUAL ($000)	ACTUAL STAFF
Commissioners and their Offices	$3,200	47	$3,305	47	$2,958	42
Secretary	3,550	85	3,331	85	3,039	81
General Counsel	1,810	27	1,862	27	1,696	24
Proceedings	8,450	130	8,256	130	7,585	120
Hearings	455	6	380	6	374	5
Public Assistance	920	15	1,047	15	908	13
Transportation Analysis	2,430	30	2,441	30	2,213	28
Accounts	4,820	75	4,840	75	4,891	74
Traffic	3,300	75	3,392	75	3,173	70
Compliance and Consumer Assistance	13,300	218	13,423	218	11,863	202
Managing Director	4,620	82	4,578	82	4,135	73
TOTAL	$46,855	790	$46,855	790	$42,835	732

SENATOR LAUTENBERG: For fiscal year 1988 provide the appropriated levels versus the levels after reprogramming.

ANSWER: The following table details the appropriated funds and staff-year levels and revised distribution after reprogramming for Fiscal Year 1988.

FY 1988

BUREAU/OFFICE	APPROPRIATED ($000)	APPROPRIATED STAFF	LEVEL AFTER REPROGRAMMING ($000)	LEVEL AFTER REPROGRAMMING STAFF
Commissioners and their Offices	$3,279	46	$3,343 *	47 *
Secretary	3,456	87	3,311	87
General Counsel	1,862	27	1,951	27
Proceedings	7,603	120	7,641	120
Hearings	374	5	387	5
Public Assistance	1,013	15	1,089	15
Transportation Analysis	2,208	28	2,257	28
Accounts	4,262	65	4,392	64
Traffic	3,149	70	3,253	70
Compliance and Consumer Assistance	12,816	210	12,188	210
Managing Director	4,272	77	4,482	77
TOTAL	$44,294	750	$44,294	750

* Reflects the transfer of the Internal Audit function from the Bureau of Accounts.

GEORGETOWN - SILVER SPRING

SENATOR LAUTENBERG: What is the status of the Georgetown to Silver Spring freight line abandoned in early April by CSX Corp.?

ANSWER: By decision served March 28, 1988, the Commission granted CSX's application in Docket No. AB-19 (Sub-No. 112) to abandon its 10.75-mile Georgetown Subdivision in Montgomery County, MD and the District of Columbia, subject to certain environmental and salvage conditions and standard labor protection. On April 7, 1988, Laurel Sand & Gravel, Inc., filed a $1.5 million offer of financial assistance pursuant to 49 U.S.C. 10905 to acquire the entire line for continued freight and commuter or excursion service. Under the law, acquisition for continued rail service pre-empts other nontransportation uses of the line.

By decision served April 14, 1988, the Commission's Director of the Office of Proceedings found the offer bona fide and reasonable so as to initiate negotiations between the parties. On May 9, 1988, Laurel Sand & Gravel exercised its statutory right to request the Commission to establish the conditions and amount of compensation for its proposed acquisition of the right-of-way. By statute, the Commission must issue its decision on the merits of this request by July 6, 1988.

OFFICE OF COMPLIANCE AND CONSUMER ASSISTANCE (OCCA)

SENATOR LAUTENBERG: How many field offices does the Commission have?

ANSWER: The Commission has 3 regional offices and 19 field offices.

SENATOR LAUTENBERG: Where are they and how many personnel are assigned to each?

ANSWER: Information on the locations of the Commission's regional and field offices and the approximate number of staff years projected at each office for FY 1988 follows.

Eastern Region		Staff Years
Philadelphia, PA	(Regional Office)	28
Boston, MA		13
New York, NY		6
Cleveland, OH		5
Baltimore, MD		4
Charlotte, NC		3
Atlanta, GA		14
Jacksonville, FL		3
Central Region		
Chicago, IL	(Regional Office)	30
Minneapolis, MN		2
Indianapolis, IN		2
Omaha, NE		1
Kansas City, MO		2
St. Louis, MO		3
Ft. Worth, TX		13
New Orleans, LA		1
Western Region		
San Francisco, CA	(Regional Office)	15
Los Angeles, CA		9
Phoenix, AZ		1
Denver, CO		5
Salt Lake City, UT		1
Seattle, WA		4

SENATOR LAUTENBERG: Are all the field staff listed assigned to OCCA? If not, which ones are assigned to other offices?

ANSWER: OCCA is the only Commission office with both a headquarters and a field staff. Staff members of all other bureaus and offices are stationed at the Commission's Washington, D.C., headquarters.

SENATOR LAUTENBERG: In the budget justification under functions and workload, three activities were described for which no cost or personnel were assigned. They are outreach, emergency preparedness and self-insurance compliance. What are the costs and personnel associated with these activities? How does the workload affect the summary on page 89 of the budget justification?

ANSWER: The outreach, emergency preparedness, and self-insurance compliance/related activities functions described in the budget are expected to require an approximate total of 6 staff years in FY 1989. The estimate is slightly more than 1 staff year for outreach, nearly 2 staff years for emergency prepared- ness, and 3 staff years for self-insurance compliance/related activities. There are no travel costs

associated with the self-insurance compliance/related activities function, since the work principally involves reviewing periodic reports from self-insured carriers at headquarters. Outreach and the emergency preparedness functions require only minimal travel. The salaries and benefits for staff performing these functions total $267,300, using the average salary for the office as a whole.

The workload summary on page 89 of the Commission's budget reflects the expected work accomplishments for each of the major functions which can be accurately measured. The workload for outreach, emergency preparedness, and self-insurance compliance/ related activities was not listed because it is not quantifiable.

OVERALL BUDGET REQUEST

SENATOR LAUTENBERG: OMB reduced the Commission's request for fiscal year 1989 funds from $48.4 million to $44.2 million. Why?

ANSWER: OMB provided the following general rationale: reductions were based on actual staffing levels in FY 1987 and anticipation of further productivity improvements in FY 1988 and FY 1989.

SEPARATE EXPRESSION OF COMMISSIONER SIMMONS: It is clear from the above answer that the majority has no specific information on the reasons for OMB's action which it is willing to provide the Subcommittee. Yet this same majority voted by notation in January to accept OMB's action and to submit to Congress a budget request dictated by OMB rather than the budget which the full Commission had voted on in open conference in July of last year. These actions are inconsistent with the Commission's responsibility to submit a reasonable budget request sufficient to meet our statutory responsibilities.

My specific objections to the OMB passback are set out in the "Summary and Highlight" section of the Commission's FY89 Budget document.

SENATOR LAUTENBERG: OMB reduced the motor area related request by 12 percent and the rail area related request by 6 percent. What were the specific reasons that the motor carriers could be cut more than the rail area?

ANSWER: While OMB provided no specific reasons related to motor staffing, we believe the FY 1989 numbers are based on actual FY 1987 staff-year usage.

SENATOR LAUTENBERG: Why are the staff year summary figures for fiscal year 1987 and fiscal year 1988 different in the August budget submitted to OMB and the February budget submitted to Congress?

ANSWER: The FY 1987 staff-year figures in the August OMB submission were estimates (since this submission was prepared before the end of FY 1987). When the congressional submission was prepared in February, the actual FY 1987 figures were available. The FY 1988 staff-year figures changed as a result of the passage of the FY 1988 Continuing Resolution (P.L. 100-202).

SENATOR LAUTENBERG: The Commission received an appropriation of $46,855,000 for fiscal year 1987. Actual obligations were

$42,835,000. Why were obligations almost nine percent below what was provided?

ANSWER: The Commission expended the amount necessary in FY 1987 to accomplish our goals and objectives. We were especially conservative because a Gramm-Rudman-Hollings reduction was likely for FY 1988, and we did not want to enter FY 1988 at a point where we would have to furlough or RIF employees.

SEPARATE EXPRESSION OF COMMISSIONER SIMMONS: The potential for future budget reductions must be considered by all agencies in these fiscally difficult times. Nevertheless, this is clearly not the sole reason for the dramatic difference between appropriations and obligations for FY 1987 or for a similar situation developing in FY 1988. The Chairman's support for the Administration's proposal to sunset the ICC is referred to in her opening statement. It is possible to bring about "administrative sunset" of an agency by simply not filling critical vacancies as they occur, and vacancies are not being filled at the ICC. The exodus of veteran attorneys from our Office of Proceedings and from other bureaus over the past 12 months is similarly a matter for serious concern.

Keeping open position vacancies can also generate sums for other purposes. Funds generated in part from vacant positions are now being earmarked for a significant program of capital purchases in FY 1988. I would prefer that these funds were devoted to the purpose for which they were appropriated, i.e., the retention of needed personnel.

SENATOR LAUTENBERG: For fiscal year 1988, $44,294,000 was provided. What is the expected obligation level?

ANSWER: We are planning to obligate the full amount appropriated.

SENATOR LAUTENBERG: The Commission has requested funding 0.2 percent below the level for fiscal year 1988. The Senate Budget Committee's resolution for fiscal year 1989 assumes a 16 percent cut from the 1988 level for the Commission. How would the Commission accommodate a cut at this level? Please specify personnel and dollar cuts by office. What activities would be affected?

ANSWER: Since over 76 percent of the Commission's projected FY 1989 costs are salaries and benefits, major savings must come from reductions in personnel costs, either through resignation and retirement attrition or through a forced reduction-in-force (RIF). RIFs are quite costly, and we are striving to avoid any necessity for a RIF by entering FY 1989 with relatively lean staffing. Given the unpredictability of attrition, we cannot now predict with any certainty how we might best distribute a 16-percent cut on an office-by-office basis. Our strong preference at this time is that any sizable reduction in our budget request be applied to our Bureau and Offices in an across-the-board fashion, and that we retain the flexibility to reprogram, should that be necessary, in early FY 1989 after we know the magnitude of the reduction.

TRUCKING REGULATORY FUNCTIONS

SENATOR LAUTENBERG: Provide the Committee the ICC staff years for trucking regulatory functions under the Commission's fiscal year 1989 budget request. (Comparable to the table on page 5 of the December 31, 1988 report to the Committee.)

ANSWER: The following table provides the Fiscal Year 1989 staff years for the trucking regulatory functions referenced in the GAO report RCED 87-107, "Trucking Deregulation, Proposed Sunset of ICC's Trucking Regulatory Responsibilities".

INTERSTATE COMMERCE COMMISSION
MOTOR REGULATORY FUNCTIONS
STAFF-YEARS BY REGULATORY FUNCTION

	Fiscal Year 1989		
REGULATORY FUNCTIONS	Directly Assigned Staff years	General Management Staff years	Total Staff years
RATE REGULATION	75	9	84
ENTRY REGULATION	100	13	113
FINANCE REGULATION	7	1	8
Ancillary Functions			
Safety	7	1	8
Insurance	74	9	83
Anti-Trust Enforcement	7	1	8
Cargo Damage Liability	13	2	15
Data Reporting	3	0	3
Owner-Operator Protection	28	4	32
HHG-Consumer Protection	19	3	22
Mexican Carrier Registration	1	0	1
TOTAL	334	43	377

SENATOR LAUTENBERG: What are the Commission's responsibilities under the Motor Carrier Safety Act of 1984 which requires denying operating authority to carriers with unsatisfactory safety ratings?

ANSWER: Under Section 215 of the Motor Carrier Safety Act of 1984, DOT, in cooperation with the ICC, is required to establish a procedure for determining the safety fitness of owners and operators of commercial motor vehicles. Once this procedure has been finalized, if an applicant does not meet the safety fitness requirements, the ICC must find the carrier unfit and deny the application.

SEPARATE EXPRESSION OF COMMISSIONER SIMMONS: I do not believe that the Commission is meeting its responsibilities under section 215. Given DOT's continuing inability to implement this section, the ICC should closely scrutinize any applications for operating authority filed by carriers with a less-than-satisfactory safety rating from DOT. No authority should be granted to such carriers unless the Commission conducts its own investigation of the carrier's safety fitness.

Instead of this close Commission examination, however, the majority has adopted a standard practice of granting one-year term authority to carriers with a conditional safety rating from DOT. When the one-year term expires, a second or even third one-year term is often granted with no Commission inquiry into the carrier's safety fitness. This practice is one example of the ICC's failure to comply with the spirit of section 215. It also

demonstrates the reluctance of many at the Commission to seek relevant information before acting in specific cases.

SENATOR LAUTENBERG: Has the Department of Transportation (DOT) issued the necessary implementing rules in this area?

ANSWER: We understand that DOT will be issuing the necessary implementing rules shortly.

SEPARATE EXPRESSION OF COMMISSIONER SIMMONS: In light of DOT's failure to implement the provisions of the Motor Carrier Safety Act of 1984, it is difficult for me to understand those who favor transferring all motor carrier safety activities to that agency. For example, the ICC presently monitors insurance compliance by motor carriers in an efficient and effective manner. Transfer of the insurance function to DOT would expose that critical activity to the inefficiencies and delays often exhibited by large bureaucracies such as DOT.

SENATOR LAUTENBERG: The Commission presently conducts safety fitness reviews. Briefly describe the process. How many are conducted each year?

ANSWER: The Commission, using safety fitness information supplied by DOT, takes safety fitness of applicants for trucking authority into account in the application process. Those carriers with unsatisfactory or conditional ratings are subjected to close scrutiny resulting in applications being denied, issued with 1-year terms, or granted when compelling reasons are presented. The Commission, as appropriate, also directs the filing of additional evidence regarding applicant's safety compliance and requires participation by our Office of Compliance and Consumer Assistance. Approximately 250 trucking companies are affected by these activities each year.

SEPARATE EXPRESSION OF COMMISSIONER LAMBOLEY: I do not support the Commission's handling of safety fitness issues and doubt the level of scrutiny asserted. In my view, "unsatisfactory" rated carriers, whether hazardous material haulers, or not, should be denied additional authority and current authority should be evaluated. "Conditional" rated applicants too frequently have safety audit reports that reflect frequency and nature of violations worse than prior audits resulting in "unsatisfactory" ratings. On the other hand, some applicants have made efforts to remedy prior violations but have not had the benefit of timely re-audit by DOT. I believe OCCA should be directed to investigate the current safety fitness of any applicant rated other than "satisfactory." DOT should also be invited to participate. An opportunity for hearing should be available to an applicant which disputes its safety fitness rating. This process would, in fairness, provide the opportunity to investigate and develop records on current status, and avoid problems such as state ratings and delayed re-audit procedures which may hold a meritorious applicant's case hostage to administrative procedures. We have said that we will not abdicate our responsibility under the NTP for safety by leaving the matter to DOT.1/

1/ See Ex Parte No. MC-111 (Sub-No. 1), Transfer Rules _I.C.C._ (1988).

SENATOR LAUTENBERG: If trucking regulatory functions were transferred to DOT as proposed by the Administration, how many people would be assigned to the insurance function?

ANSWER: The Administration's proposal to sunset the ICC provides for transfer of only the resources associated with rail activities and those functions related to the handling of consumer complaints regarding household goods movers. However, the Commission's FY 1989 budget estimates include approximately 74 staff years for motor carrier insurance functions. The majority of this staff is in the Office of the Secretary and in OCCA. Staff in the Office of the Secretary handles receipt of the mail and service of insurance decisions, in addition to the actual processing of the certificates of liability, proofs of cargo and surety bond coverage, cancellations, fee billing, and inquiries. OCCA staff enforces the insurance provisions which require carriers to maintain evidence of insurance coverage on file with the Commission. This involves compliance monitoring, preliminary and final investigations, litigation, road checks, rulemaking proceedings, and revocation of operating authority. Small amounts of staff time are devoted to various steps in the insurance process in several other Commission offices.

SENATOR LAUTENBERG: Specifically what does the staff assigned to antitrust in the trucking area handle?

ANSWER: The principal activities that the staff handles involving trucking antitrust matters relate to rate bureaus, in particular the review of applications for approval of rate bureau agreements, amendments to rate bureau agreements, and investigations (with or without suspension) of collective actions for compliance with 49 U.S.C. 10706. Rate bureaus are organizations made up of motor carrier members that periodically meet to discuss and collectively set rates to the limited extent permitted by statute and as authorized by the Commission in approved rate agreements. The Commission's approval of a rate agreement exempts a rate bureau from the antitrust laws, providing the organization complies with the terms and conditions of the approved agreement. The staff monitors meetings of rate bureaus and conducts compliance surveys to determine if the organizations comply with the approved rate agreements. Non-compliance can be handled with rate bureau officials for correction or, if the circumstances warrant, can be subject to full investigation and prosecution. Disposition of the cases can include referrals of the files to the Antitrust Division of the Department of Justice or requesting the Commission to open a formal investigation proceeding for the purpose of determining whether to revoke the approved rate agreements.

Additionally, whenever anti-competitive practices are discovered during routine field investigations, the facts are reviewed by staff attorneys to determine if antitrust implications are present. In the event the situations involve alleged antitrust violations, the Department of Justice is informed of our findings.

SENATOR LAUTENBERG: Has the Commission performed an analysis of what trucking data are needed by users and the costs of providing these data?

ANSWER: The Commission performed a detailed analysis to determine its needs for motor carrier regulatory oversight. The outcome of the study resulted in a proposed rulemaking to significantly reduce motor carrier accounting and reporting requirements, Docket No. 38904, Elimination of Accounting and Reporting Requirements for Motor Carriers of Property, served February 20, 1985. Some respondents, including several Federal and State regulatory agencies, indicated a desire for more data than contained in the proposed one-page annual report. Also, the accounting firm of Arthur Andersen & Company conducted a survey of users of these data. Arthur Andersen & Company was under contract with the Motor Common Carrier Association to develop a suggested format for the motor carriers' reports. They, too, cited a need for data. The Commission adopted many of the suggestions made by Arthur Andersen & Company and the respondents in the final order, served March 31, 1987. In terms of burden, we estimate that current accounting and reporting requirements for Class I and II motor carriers require approximately 455,000 hours annually. Implementation of our decision in No. 38904 would reduce the annual burden to approximately 27,000 hours.

SEPARATE EXPRESSION OF COMMISSIONER SIMMONS: In its comments in opposition to proposed reduction of reporting requirements in No. 38904, the American Insurance Association stated that the importance of the data obtained from motor carrier annual reports cannot be overemphasized. The National Association of Independent Insurers further stated that elimination of Class II motor carrier reporting and reduction of reporting for Class I carriers would seriously impede underwriting analysis of individual risks. It further believes that any uncertainty concerning the financial standing of motor carriers could adversely affect the availability and affordability of insurance. With regard to the costs of providing motor carrier data it should be noted that cost reductions due to ICC rule changes may be more than counterbalanced by a proliferation of individual State requirements which had previously been fulfilled by the Commission's data gathering efforts. Furthermore, it is my understanding that the rules adopted will have little effect on the long-standing accounting practices of many motor carriers and thus result in minimal real savings of time.

SENATOR LAUTENBERG: Has any other agency performed this kind of analysis? If so, who, and what were the results of that analysis?

ANSWER: The General Accounting Office (GAO) performed an analysis of the Commission's ancillary trucking regulatory functions including data reporting in report RECD 87-101, of April 1987. In the report, GAO stated that the data which the ICC requires carriers to report are of value both for regulatory purposes and for more general public policy purposes. However, it did not specify what trucking data are needed or the costs of providing the data.

GAO found that trucking data are used by several different Federal agencies (such as the Department of Defense, Labor, Commerce, and Agriculture), numerous State agencies, the Congress, and the private sector. GAO recommended, in the event Congress eliminates the ICC's trucking regulatory functions, that the Department of Transportation make an assessment of (1) what data

are needed by various users and (2) the costs of providing these data so that appropriate, nonburdensome data collection program can be designed.

GAO also suggested that any assessment be made in conjunction with OMB in order to ensure that data needs are met in the most cost-effective way.

SENATOR LAUTENBERG: What are the responsibilities of those assigned to the owner-operators protection function?

ANSWER: One staff activity is to review upon request the written leases between motor carriers and owner operators to determine whether the provisions comply with the Commission's regulations; this includes providing written and oral interpretations of the leases under the Commission's regulations. Another activity involves the handling of complaints by owner operators against carriers. Issues can range from the extent of owner-operators' responsibility to load and unload trailers to settlement of disputes involving delay of or failure to pay by the lessor motor carriers.

Additionally, the staff conducts investigations of motor carriers that involve alleged violations of the leasing regulations. In many instances, carriers willingly correct non-compliance practices discovered in the investigations, and the cases are closed. In other situations, because of the nature and extent of the non-compliance, enforcement action is appropriate. The staff also actively enforces the lumping laws which provides that shippers and receivers must pay for any assistance they require a driver to use in loading or unloading freight from the trailer.

There are no staff members who devote their time exclusively to owner-operator protection activities. In fact, staff have the equally important responsibility of monitoring operations of owner-operators to determine if they are in compliance with the transportation laws and regulations.

SENATOR LAUTENBERG: This function recovered less than $300 per complaint filed by owner-operators in 1985 and 1986. How can this be justified, considering over 30 staff are assigned to this ancillary function?

ANSWER: The staff years allocated to the owner-operator function are more diversified than the handling of complaints, which accounts for only a small portion of the staff used. Additionally, complaints from owner operators involve matters other than the recovery of money, and not all complaints involving money disputes are resolved in favor of the owner operators. For these reasons it would be inaccurate to conclude that there is an average recovery of $300 per complaint based on dividing the total amount recovered for owner operators by the total number of owner-operator complaints.

SENATOR LAUTENBERG: In what office(s) are the owner-operator protection staff assigned?

ANSWER: The staff members who engage in owner-operator protection are located in the Office of Compliance and Consumer Assistance's headquarters and field offices. Staff of the Office of Public Assistance also assist owner-operators in filing operating rights applications and other ICC-related matters.

SENATOR LAUTENBERG: Commissioners Lamboley and Simmons stated in the December 1987 report to the Committee that there is a lack of hard data documenting the need for protections for owner-operators. What more could or should be done in this area?

ANSWER: Owner-operator reliance on the Commission to resolve disputes with carriers is diminishing. We handled 2,757 owner-operator complaints in FY 1985, 2,393 complaints in FY 1986, and 1,344 complaints in FY 1987. The number of complaints received so far in FY 1988 reflects this continuing downward trend.

The decrease in the number of owner-operator disputes being brought to the Commission may be attributable in part to the Commission's 1982 Policy Statement in the decision in Ex Parte No. MC-122 (Sub-No. 2), Lease of Equipment and Drivers to Private Carriers, served February 17, 1982, and the decision in Ex Parte No. MC-43 (Sub-No. 15), Elimination of Thirty Day Leasing Equipment, served December 6, 1984. These rulemakings gave owner-operators freedom to lease directly to private shippers, as well as greater flexibility to lease their services and equipment to more than one carrier on a trip rather than a 30-day basis. These decisions effectively removed a large number of owner-operator activities from Commission jurisdiction, including the attendant leasing disputes. Indeed, the increasing need for qualified owner-operators expressed by the American Trucking Association and others in anticipation of the impact of stricter qualification standards under the recent Commercial Motor Vehicle Safety Act of 1986, should create greater bargaining power for owner-operators in their negotiations with carriers, thereby further reducing reliance on the Commission as an arbiter in these matters.

Nevertheless, owner-operator concerns remain a high emphasis area within the regular workload of our motor carrier compliance and enforcement program, whether in responding to complaints, or on a proactive basis. For example, motor carrier leases are routinely checked for compliance with our truth-in-leasing regulations during all road checks, compliance surveys, and investigations. In 1987, the Commission conducted 550 road checks, 640 compliance surveys, 895 preliminary investigations, and 370 final investigations. In addition, the Commission remains active in the area of lumping where owner-operator problems seemed to have been acutely prevalent, but lumping is also decreasing as a complaint category.

Overall, we believe the Commission's actions have been reasonable and appropriately responsive to owner-operator concerns.

SEPARATE EXPRESSION OF COMMISSIONER SIMMONS: The decrease in owner-operator complaints largely stems, in my view, from the closing of one half the Commission's field offices and continuing staffing decreases. Although new demand for qualified owner-operators may augment their bargaining power for a time, I believe there is a need now and in the future for Commission oversight. It is unrealistic to assume that individual owner-operators can bargain on an equal basis with large trucking concerns except during the most severe driver shortages. The ICC has played a very positive role in its past efforts to assure equitable treatment of owner-operators, and it can and should play an equally positive role in the future.

COMMERCIAL ZONE EXEMPTIONS

SENATOR LAUTENBERG: What is the Commission's rationale for expanding cities' commercial zones and thereby increasing the number of motor carriers exempt from regulation?

ANSWER: The decision to propose expanding commercial zones was based on changes in economic conditions, commercial realities, and prevailing service needs since the zones were last studied in 1976. The ICC's commercial zones only affect economic regulation. They do not remove DOT safety regulation.

SEPARATE EXPRESSION OF COMMISSIONER SIMMONS: The real purpose behind proposing to expand commercial zones is the administrative deregulation of as many motor carrier activities as possible. Some at the Commission, disappointed that Congress has not completely deregulated the motor carrier industry, are determined to implement their own views through any means. I believe this is a usurpation of the Congressional prerogative and ill serves the public interest.

Expansion of commercial zones will not remove DOT safety regulation, but it will make it more difficult for DOT to identify carriers subject to this regulation. Difficulty in identifying motor carriers is apparently a major factor in DOT's continuing failure to implement section 215 of the Motor Carrier Safety Act of 1984. Expansion of commercial zones will also remove large numbers of carriers from the requirement to file evidence of insurance coverage at the ICC and from the reach of the ICC's consumer protection regulations in such areas as household goods transportation.

FILED RATE DOCTRINE

SENATOR LAUTENBERG: A large number of bankruptcies have occurred in the trucking industry since deregulation with resulting court cases that try to recover undercharges. What is the Commission doing in this area?

ANSWER: The Commission issued a negotiated rates policy statement in October 1986 announcing that court referrals involving the question of the reasonableness of a carrier's undercharge claim would be entertained. NITL--Pet. to Inst. Rule on Negotiated Motor Car., 3 I.C.C.2d 99 (1986). The policy statement and the many decisions issued pursuant to it set forth in detail those circumstances where the Commission believes that a negotiated rate should supersede the filed tariff. Essentially, we look for the elements of a contract (e.g., offer, acceptance, reasonable reliance). The Commission has decided all but one of the many referred cases in favor of the shipper.

In addition to deciding cases, the Commission is working with shipper groups, carriers, and the Congress to explore more satisfactory solutions to the problem. A petition for declaratory order filed by the National Industrial Transportation League and various legislative proposals are under active consideration at the ICC.

SEPARATE EXPRESSION OF COMMISSIONER LAMBOLEY: Please see my separate expressions in Ex Parte No. MC-177, NITL - Petition to Institute Rulemaking on Negotiated Motor Common Carrier Rates, decisions served October 29, 1986, May 12, 1987 and August 25, 1987 which are attached.

COMMISSIONER LAMBOLEY, commenting:

I support fully the concept that in the post-Motor Carrier Act of 1980 environment, the "filed-rate doctrine" does not necessarily bar equitable defenses. Indeed, our decision in No. 37635, Buckeye Cellulose Corp. v. L & N R.R. Co., 1 I.C.C. 2d 767 (1985), aff'd sub. nom., Seaboard System R.R. Inc. v. United States, 794 F. 2d 635 (11th Cir. 1986), recognized that the encouragement of market-based arrangements likewise requires us to consider the variety of situations that lead to new transportation price/service options.

In the course of negotiating and developing those new options there will be representations, inducements and reliance on the part of the respective parties. In this environment, there is reason to anticipate that certain problems of conduct and interpretation may arise, just as those which have prompted the general rule here requested by NITL.

Although our policy statement focuses on the questions framed by the petitions, the issues addressed here involve the broader elements of accountability, i.e., as people participate in the marketplace, their conduct may now be evaluated and potentially measured as to reasonableness of the practice.

In my view, this policy statement need not be confined to the case specific problems of negotiated rates and collection of undercharges in bankruptcy or other judicial settings. It likewise reaches the potential equitable considearations in various circumstances and the Commission's willingness to determine whether an unreasonable practice exists as a result of the relationship and conduct of the parties.

I do not believe court referral is an essential element to the exercise of our jurisdiction. In short, there is no reason in these cases to require referral before a party may petition for redress from alleged unreasonable practice(s). Cf. 49 U.S.C. Section 11705(b)(3), 11706; Informal Procedure for Determining Motor Carrier and Freight Forwarder Reparations, 335 I.C.C. 403 (1969) (remedial focus on rates, reparations and waiver of undercharges.)

OFFICE OF VICE CHAIRMAN LAMBOLEY

EX PARTE NO. MC-177

NATIONAL INDUSTRIAL TRANSPORTATION
LEAGUE-PETITION TO INSTITUTE RULEMAKING
ON NEGOTIATED MOTOR COMMON CARRIER RATES

May 6, 1987

MEMORANDUM TO CHAIRMAN GRADISON:

Please show me with the following separate expression.

Paul H. Lamboley

cc: All Commissioners
General Counsel Burk
Director Mackall
Acting Deputy Director Lyon
A. Nosacek
Clearance Unit

VICE CHAIRMAN LAMBOLEY, dissenting:

I continue to believe, as I stated in my separate expression to the decision served October 29, 1986, that a court referral is not always an essential element to the exercise of our jurisdiction. The Commission may entertain a petition for redress of alleged unreasonable practices Cf. 49 U.S.C. 11705(b)(3), 11706. See also No. 37635, Buckeye Cellulose Corp. v. Louisville and Nashville R. Co., served April 2, 1985, 1 I.C.C. 2d 767-775 (1985).

OFFICE OF VICE CHAIRMAN LAMBOLEY

EX PARTE NO. MC-177

NATIONAL INDUSTRIAL TRANSPORTATION
LEAGUE-PETITION TO INSTITUTE RULEMAKING
ON NEGOTIATED MOTOR COMMON CARRIER RATES

August 19, 1987

MEMORANDUM TO CHAIRMAN GRADISON:

Please show me with the following separate expression.

Paul H. Lamboley

cc: All Commissioners
Director Mackall
Acting Deputy Director Lyon
A. Nosacek
Clearance Unit

VICE CHAIRMAN LAMBOLEY, dissenting:

For reasons stated in this and other cases, I continue to believe that court referral is not an essential element for the exercise of jurisdiction in disputes involving the reasonableness of rate practices and collection of undercharges representing the difference between lower, allegedly negotiated, non-tariff rates and higher, tariff filed rates. Such issues fall squarely within our primary jurisdiction and expertise to resolve.[1]/

Requiring referral may be appropriate in bankruptcy settings in which the stay provision of Section 362[2]/ is operative or in instances in which a collection action has begun and is judicially pending. In such cases, the "referral" vehicle is an appropriate accommodation between the judicial and

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1/ See 49 U.S.C. Section 10701(a), 10704(a)(1), (b)(1) and (f); Buckeye Cellulose Corp. v. L & N R.R. Co., 1 ICC 2d 767 (1985), aff'd sub nom., Seaboard System R.R. Inc. v. United States, 749 F2d 635 (11th Cir. 1986); MC-C-10942, Atlas Foundary & Machine Co. v. IML Freight Inc., (not printed) served April 17, 1985 (Atlas I), re-opened by decision (not printed) served October 8, 1985 (Atlas II), Ex Parte No. MC-177, NITL - Petition to Institute Rulemaking on Negotiated Motor Common Carrier Rates, ___ICC 2d___ (Negotiated Rates) (served October 29, 1986), clarification decision (not printed) served May 12, 1987; also Liberty Liquors Co. v. Ryder PIE Nationwide Inc. (not printed) served July 9, 1987; Vice Chairman Lamboley dissenting.

2/ 11 U.S.C.A. 362.

administrative forums having shared or concurrent jurisdiction, albeit that primary jurisdiction lies with this agency.

However, a party, upon an appropriate showing, should be able to invoke this agency's primary jurisdiction without referral and seek relief from collection of undercharges as an unreasonable practice in circumstances which involve a tariff-negotiated rates controversy and there is clear, direct and tangible evidence that the commencement of a collection action is imminent. These are controversies which, by virtue of our decisions in this proceeding[3]/ and in Buckeye[4]/ have been previously identified as raising issues of general transportation significance and which have been directed to a case-by-case dispute resolution process for each fact-bound situation presenting those issues.

As to matters within our primary jurisdiction, our general declaratory relief precedent permits this agency to exercise discretion and limit those cases we may consider to issues of general transportation import. Significantly Negotiated Rates has already acknowledged the overriding general transportation concerns regarding unreasonable practices in collection of undercharges. These cases are then merely derivative of that Negotiated Rates directive for particularized adjudication. Consistent with precedent, these cases may be properly initiated in this forum.

Moreover, declaratory relief is not the only form of remedy available. Injunctive relief and damages are potential remedies as well.[5]/ Although Commission orders are not self-enforcing, final administrative action is binding and

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3/ See Ex Parte No. MC-177, NITL - Petition to Institute Rule-making on Negotiated Motor Common Carrier Rates, supra.

4/ Buckeye Cellulose Corp. v. L & N R.R. Co., supra.

5/ 49 U.S.C. 11701(b), 11705(b)(3) and (c)(1).

capable of judicial enforcement by this agency[6]/ or by a party in whose favor the order runs.[7]/

Further, I do not believe that Commission analysis and decisions in these matters should be deemed merely "advisory". In my view, the use of the term "advisory" undercuts the notion of our primary jurisdiction and expertise in this, and potentially other subject matter areas such as labor issues and commerce questions.

The position that our decisions are purely "advisory" provides ample opportunity for courts to decline to refer such issues. This, in turn, undercuts the rationale upon which the majority premises its denial of the petition for administrative review before us, - i.e., that a shipper can always obtain referral of such a proceeding from a court in which an action to collect undercharges is pending and, hence, there is no reason to make declaratory relief available to shippers desiring to determine the validity of their equitable defenses prior to the filing of a suit to collect undercharges.

A recent decision by the United States District Court in Motor Carrier Audit & Collection Co. v. Limited Food Service (MCAC) (Case No. 87-C-298), (D. Col. decided May 4, 1987), is illustrative of the problem. In MCAC, the court refused to stay the proceedings and refer the negotiated rates-overcharge issue to the Commission even though specifically requested to do so by the shipper. Principle among the court's reasons for non-referral was the belief that the Commission itself has admitted a lack of authority to do other than provide a "non-binding advisory opinion" to a court electing to refer the matter. MCAC provides solid evidence of a court's view of "concurrent" jurisdiction when an agency is ambivalent about its primary jurisdiction.

6/ 49 U.S.C. 11702.

7/ 49 U.S.C. 11705(a) and (c) (2).

The majority's use of court referral as a screen to conserve administrative resources is false economy. Referral will not increase our resources available for case handling. It does, however, add to the cost/expense burden of shippers and consumers in the marketplace, not to mention the impact on judicial dockets.

Moreover, a clear expression of our claim to primary jurisdiction may deter errant collection procedures. Commercial collection law and practice in judicial forums differ from the administrative transportation law and procedure in this forum. So too, do the respective costs and expenses.

Finally,, I believe that the absence of appropriate action or clarification by the Commission, in light of the MCAC decision, would now suggest that this agency is withdrawing from encouraging the development of price/service options in the market and is fostering a return to the filed tariff regulatory regimen. Current judicial precedent forecloses equitable defenses and non-filed discount practices. Buckeye and Negotiated Rates do not.

SENATOR LAUTENBERG: How many cases have been referred to the Commission by bankruptcy judges or other courts and what were the results?

ANSWER: As of the end of April 1988, 67 negotiated rates cases had been referred to the Commission, and 33 had been either decided on the merits, dismissed at the parties' request, or otherwise disposed of. Generally, all but one case decided on the merits thus far have been in favor of the shipper.

AMTRAK ABANDONMENT REQUEST

SENATOR LAUTENBERG: What is the status of Amtrak's request to condemn track owned by Guilford Transportation and turn it over to the Central Vermont Railway?

ANSWER: By decision served April 29, 1988, the Commission instituted a proceeding under section 402(d) of the Rail Service Passenger Act pursuant to an application by Amtrak. In its application, Amtrak requested that the Commission order a 48.8-mile rail segment (between Brattleboro, Vermont, and Windsor, Vermont) of the line of railroad called the Connecticut River Line belonging to Boston and Maine Corporation, a subsidiary of Guilford Transportation Industries, Inc., be conveyed to it and that the Commission establish the terms for the sale of the line. In its application, Amtrak states that conveyance of this line segment is necessary for it to resume its Montrealer passenger

train service between Washington, DC, and Montreal, Canada, which it had discontinued in April of 1987. As part of its plan to restore this service, Amtrak states that it entered into a series of agreements with the Central Vermont Railway, Inc., for the future ownership and control of the line, and efficient upgrading. These agreements also provide that Boston and Maine will acquire trackage rights over the line upon Central Vermont's acquisition of the line from Amtrak after the line is ordered to be conveyed by Boston and Maine.

The Commission also consolidated the proceeding with a related petition for exemption filed on April 7, 1988, by Central Vermont Railway in Finance Docket No. 31259. In that proceeding, Central Vermont Railway is seeking an exemption from Commission regulation to acquire Amtrak's interests in the line once Amtrak has obtained these interests and to grant trackage rights over the line to Boston and Maine.

The April 29, 1988, decision set forth a two-track procedural schedule to allow the Commission to issue separate decisions: (1) by June 28, 1988, on the issue of whether an order establishing need for the conveyance of the line and requiring the conveyance is appropriate; and, if so, (2) by August 5, 1988, on the issue of just compensation for the line. The parties are currently conducting discovery and preparing evidence and argument for submission to the Commission on these issues.

By decision served May 11, 1988, the Commission denied objections to the procedural schedule filed by Boston and Maine. Numerous other procedural motions and petitions to intervene have been resolved. A petition filed by Boston and Maine requesting that the application be converted from one under section 402(d) to one under section 402(a), 45 U.S.C. 562(a), is still pending before the Commission.

SENATOR LAUTENBERG: What timetables must the Commission follow for deciding the petition (and setting a purchase price)?

ANSWER: Section 402(d) of the Rail Passenger Service Act governs this proceeding. It provides for a decision within 120 days of the receipt of the application. Past Commission interpretations of section 402 have established that the time limits contained in sections such as section 402(d)(2) do not commence to run until a satisfactorily complete application has been filed with the Commission. In Finance Docket No. 31250, the time would commence to run upon filing with the Commission of the additional information required of Amtrak within 5 days of the Commission's order served April 29, 1988. Amtrak filed the additional information on May 2, 1988.

Although the statute establishes a deadline for entry of an order requiring conveyance, it does not expressly do so with respect to the establishment of reasonable compensation and gives conflicting signals as to Congress' probable intent on the subject. On the one hand, section 402(d)(1) specifies that the order requiring conveyance shall be upon reasonable terms, including just compensation, which suggests that Congress intended compensation to be established within the 120-day period allowed for entry of an order of conveyance. On the other hand, section 402(d)(2) provides that if just compensation has not been determined by the date of entry of the order of conveyance the order shall provide for payment of interest from the date prescribed for conveyance, which reflects an apparent recognition

by Congress that it may not always be possible to establish just compensation within the 120-day limit provided for entry of an order of conveyance.

By order of the Commission served April 29, 1988, in Finance Docket No. 31250, the Commission undertook to render decisions on the order of conveyance within 60 days and on just compensation within 100 days. This compressed schedule was arrived at by balancing the needs of Amtrak for an expeditious determination on its application in order to complete necessary rehabilitation during the short summer construction period in New England so as to be able to recommence service this year against the time required to afford all parties an adequate opportunity to present their case consistent with the requirements of due process.

SEPARATE EXPRESSION OF COMMISSIONER LAMBOLEY: Please see my separate expression in F.D. No. 31250, National Railroad Passenger Corporation - Conveyance Interests in Connecticut River Lin in Vermont and New Hampshire, served April 29, 1988 which is attached.

Finance Docket No. 31250

COMMISSIONER LAMBOLEY, WITH WHOM COMMISSIONER SIMMONS JOINS, dissenting in part:

These statutory dispute resolution procedures were initiated by an Amtrak filing on April 4, 1988.[1]/

Amtrak and others[2]/ have requested expedited consideration of this application. The statute mandates the Commission to expedite such proceedings and to render decision not later than 120 days.[3]/

Since filing there has been an effort to achieve a schedule for expedited action. Recognizing that this action comes to us because the parties could not reach voluntary agreement through negotiations and that the "construction season" in New England is short, it seems to us that 60 days is sufficient time in which to accomplish fair development of the record, argument and decision with respect to both "need" and "just compensation" issues.[4]/

1/ 45 USC Sec. 562(d)

2/ The Commonwealth of Massachusetts, the State of Vermont and Windsor Minerals, Inc., and several Senators and Congressmen from New England.

3/ 45 USC Sec. 562(d)(2)

4/ For this purpose an approrpiate 60-day procedural schedule was proposed.

We take strong exception to the majority's bifurcation of these issues, and needless delay in scheduling decision on "just compensation." Merely shaving 20 days off the statutory outer limits for decision cannot, in our view, be fairly characterized as "expedited consideration."[5/] Moreover, 100 days does little to recognize or make the necessary time available for needed rehabilitation and repair of the line. Decision in August severely restricts that opportunity in New England.

Finally, it is reasonable to assume that, only if access for repair and rehabilitation is immediately provided by any decision for Amtrak rendered within 60 days, will Amtrak and other interested parties be effectively able to provide operational capability for the "Montrealer" in the year 1989.

[5/] Statutory provision for 6% interest until compensation is paid cannot be construed to extend the 120-day limitation or otherwise require bifurcation in the face of clear congressional intent to expedite the process. See 45 USC Sec. 562(d)(2).

COMMISSIONERS AND THEIR OFFICES

SENATOR LAUTENBERG: What are the costs associated with the personnel requests for Chairman, Commissioners and satellite offices?

ANSWER: The Fiscal Year 1989 personnel compensation and benefits costs for the Chairman's Office, the four Commissioners and their staffs, and the three satellite offices is displayed in the table below.

FY 1989 PERSONNEL COSTS
COMMISSIONERS AND THEIR OFFICES

Chairman	$ 430,000
Commissioners	1,474,000
Satellite Offices	840,000
Total	$2,745,000

PROCEEDINGS

SENATOR LAUTENBERG: How many court referrals were made to the Commission regarding the availability of equitable relief for undercharges? What actions were taken?

ANSWER: As of the end of April 1988, 67 negotiated rates cases have been referred to the Commission, and 33 had been either decided on the merits, dismissed at the parties' request, or otherwise disposed of. Generally, all but one case decided on the merits thus far have been in favor of the shipper.

RULEMAKINGS

SENATOR LAUTENBERG: What rulemakings are now before the Commission?

ANSWER: As of May 9, 1988, the following rulemakings had been instituted and are pending, or requests for rulemaking have been filed and docketed (but not yet instituted) in the following cases:

Ex Parte No. MC-1	Payments of Rates and Charges of Motor Carriers
Ex Parte No. MC-19 (Sub-No. 36)	Practices of Motor Common Carriers of Household Goods (Revision of Operational Regulations)
Ex Parte No. MC-37 (Sub-No. 40)	Commercial Zones and Terminal Areas (Proposal to Explore Expansion of Commercial Zones and Terminal Areas)
Ex Parte No. MC-188	Petition for Investigation of Indemnification and Hold-Harmless Clauses
Ex Parte No. MC-190	Private Truck Council of America, Inc. - Petition for Rulemaking (Petition Seeks to Change Accounting Regulations)
Ex Parte No. MC-190 (Sub-No. 1)	National-American Wholesale Grocers' Association - Petition for Rulemaking (Petition Seeks to Change Accounting Regulations)
Ex Parte No. 230 (Sub-No. 7)	Improvement of TOFC/COFC Regulations (Pickup and Delivery)
Ex Parte No. 246 (Sub-No. 6)	Regulations Governing Fees for Services Performed in Connection with Licensing and Related Services--1988 Update
Ex Parte No. 274 (Sub-No. 11A)	Abandonment Regulations - Costing (Implementation of Railroad Accounting Principles Board Findings and Other Cost Matters)
Ex Parte No. 274 (Sub-No. 13)	Rail Abandonments - Use of Rights-of-Way as Trails - Supplemental Trails Act Procedures
Ex Parte No. 274 (Sub-No. 18)	Rail Abandonments - Consideration of Possible Sale or Subsidy (Considerations in the Analysis of an Abandonment Application)
Ex Parte No. 290 (Sub-No. 2)	Railroad Cost Recovery Procedures (Petition to Modify Fuel Component)

Ex Parte No. 290 (Sub-No. 4)	Railroad Cost Recovery Procedures - Productivity Adjustment
Ex Parte No. 334 (Sub-No. 6)	Review of Car-Hire Regulation
Ex Parte No. 334 (Sub-No. 23)	Railroad Exemptions - Filing Quotations Under Section 10721
Ex Parte No. 342	Procedures Governing the Processing, Investigation, and Disposition of Overcharge, Duplicate Payment, or Overcollection Claims - Petition for Modification
Ex Parte No. 346 (Sub-No. 24)	Rail General Exemption Authority - Miscellaneous Manufactured Commodities
Ex Parte No. 347 (Sub-No. 1)	Coal Rate Guidelines, Nationwide
Ex Parte No. 347 (Sub-No. 2)	Rate Guidelines - Non-Coal Proceedings
Ex Parte No. 387 (Sub-No. 961)	Petition for Public Disclosure of Rail Long-Term Coal Contracts (Petition for Rulemaking on Public Disclosure of Terms of Long-Term Railroad Coal Transportation Contracts)
Ex Parte No. 392 (Sub-No. 1)	Class Exemption for the Acquisition and Operation of Rail Lines Under 49 U.S.C. 10901
Ex Parte No. 392 (Sub-No. 2)	Class Exemption - Construction of Connecting Tracks
Ex Parte No. 392 (Sub-No. 3)	Class Exemption for Rail Construction
Ex Parte No. 393 (Sub-No. 2)	Supplemental Reporting of Consolidated Information for Revenue Adequacy Purposes
Ex Parte No. 394 (Sub-No. 3)	Cost Ratio for Recyclables - Compliance Procedures
Ex Parte No. 402	Reasonably Expected Costs (Implementation of Railroad Accounting Principles Board Findings and Other Cost Matters)
Ex Parte No. 431	Adoption of the Uniform Railroad Costing System
Ex Parte No. 444	Electronic Filing of Tariffs

Ex Parte No. 445 (Sub-No. 2)	Intramodal Rail Competition - Proportional Rates
Ex Parte No. 462	Exemption of Demurrage from Regulation
Ex Parte No. 467	Exemption of Water Carrier Operations
Ex Parte No. 468	Review of Railroad Depreciation Studies by Independent Accountants
Ex Parte No. 471	Copies of Pleadings
Ex Parte No. 473	Railroad Cost of Capital - 1987
Ex Parte No. 474	Exemption from 49 U.S.C. 11322(a) for Certain Interlocking Directorates
No. 38904	Elimination of Accounting and Reporting Requirements for Motor Carriers of Property
No. 40165	Adoption of the Railroad Accounting Principles Board's Recommendation on its Data Integrity Principles in Reports Prepared Using Agreed Upon Procedures

SENATOR LAUTENBERG: What is the timetable for their disposition?

ANSWER: All rulemakings now before the Commission are under active consideration at various stages. Some are still in the initial stages, e.g., staff review of requests for rulemaking, and record building. In others, draft decisions are being worked on, or are before the Commission for vote. All are active, and are handled as expeditiously as possible.

SENATOR LAUTENBERG: What rulemakings does the Commission expect to initiate (and why) the rest of fiscal year 1988 and in fiscal year 1989?

ANSWER: The Commission will consider initiation of a number of rulemakings during the remainder of fiscal year 1988 and in fiscal year 1989. We have an ongoing project to update and clarify the portions of the Code of Federal Regulations applicable to the Commission's exercise of jurisdiction over rail, motor and water carriers. The intent of this updating is to make existing rules simpler for the public to understand and to eliminate unnecessary regulation.

We will also institute proposals to implement principles issued by the Railroad Accounting Principles Board involving such matters as adjustments to general purpose costing systems in regard to:

(a) Depreciation Accounting for Costing Purposes
(b) Use of Current Cost of Capital
(c) Adjustment to Net Investment Base
(d) Jurisdictional Threshhold and Cost Recovery Percentage - Development of a Transition Mechanism

In addition, we will initiate proposals to update accounting items based on requirements to keep accounting and reporting systems current with generally accepted accounting principles such as:

(a) Revised Statement of Cash Flows
(b) Revised Accounting Rules for Deferred Taxes

We also plan to institute rulemakings to review and update our environmental compliance rules applicable in certain rail proceedings, and to address a number of costing issues that have arisen in abandonment cases, including the treatment of property taxes in States with unitary tax systems and compensation for tax liability and net liquidation value adjustments stemming from forced sales of lines (49 U.S.C. 10905).

MANAGING DIRECTOR

SENATOR LAUTENBERG: What changes were necessary in the incentive awards program to conform with changes in OPM regulations?

ANSWER: Internal regulations on the incentive awards program were rewritten to incorporate the OPM regulatory changes. The most significant program change involved the use of the performance appraisal process to determine awards for overall job performance. This new procedure superseded provisions for granting incentive awards previously referred to as Sustained Superior Performance Awards and should reduce the number of awards granted for reasons other than the annual performance appraisals.

SENATOR LAUTENBERG: Provide the names of those receiving incentive awards for fiscal year 1985, 1986, and 1987, and the amounts received.

ANSWER: The following table lists the names of those receiving incentive awards and amounts of the awards for Fiscal Years 1985, 1986, and 1987.

Incentive Awards
FY 1987

Name of Employee	$ Amount of Award
Maria Foti	1,000
Melvin Malloy	500
Hazel Lowe	600
Rebecca Powell	400
Lorelei Ransome	500
Lucy Aloi	500
Hildred Smith	500
Linda Corsnitz	500
Elaine Burkhardt	1,000
Mavis Wiggert	1,000
Lee Gardner	3,000
John Hennigan, Jr.	2,800
Mamie Dennis	750
Mary Sylvester	750
Sheila Minor	750
Delores Coleman	250

Name of Employee	$ Amount of Award
Laverne Harris	400
Mavis Wiggert	200
Elaine Burkhardt	300
Maria Foti	1,000
Melvin Malloy	500
Rebecca Powell	200
Hazel Lowe	300
Lucy Aloi	300
Lorelei Ransome	200
Edward O'Meara	2,000
Mavis Wiggert	800
Elaine Burkhardt	1,200
Hildred Smith	1,000
Linda Corsnitz	1,000
John Hennigan, Jr.	3,000
Alton Montgomery	500
Thomas Vining	2,000
Margaret Lam	250
Mary Hogya	800
Arnold Smith	500
Edward Welkener	500
Virgil Schultz	400
Donald Hirst	400
Edward Blansitt	500
Eileen Rickard	300
Ray Houser	1,000
Frank Ortiz	1,000
Howard Char	500
Carol Fitzgerald	500
Howard Lee	500
Thomas Ponton	800
Kathy Link	1,000
George Roundtree	750
Brian McNiff	500
Theodore Santarmes	500
Patricia Layton	1,250
Velma Battle	750
Carolyn Word	450
William Mousser	500
Mildred Lee	250
John McMorrow	250
Janice Fort	250
Tura Gatling	250
Barbara Ridout	250
Kenneth Cook	250
Aline Jackson	250
Myrtle Lane	250
William Hall	250
Broderick Robinson	250
Gloria Newson	250
Betty Blount	250
Shirley McNeice	250
Zachary Santarmes	250
Carole Mobray	250
Byron Martin	250
Aline Jackson	250

Name of Employee	$ Amount of Award
Noreta McGee	2,500
Ernestine Hedgepeth	750
Judith Holyfield	750
Easter Yahya	750
John Hedetniemi	750
Tondalayo Matelski	750
Ann E. Newman	750
Betty Grant	750
Stephen Grimm	500
Harry Halm	500
Emily White	500
David Groves	1,200
William England	500
James Wells	500
Kathleen Barron	600
Richard Washington	600
Nathaniel Jackson	500
Michael Nafpliotis	500
Margaret Richards	500
Patricia Schulze	500
Roy Wilkins	1,200
Billy Martin	500
Barbara Wolfe	500
Teresa Maldonado	500
Virginia Kendall	500
Gene Cox	500
Judith Bush	500
Laura Sielsch	500
Patrick McSweeney	500
Lenore Cummings	500
Sandra Stowell	500
Sheardener Stepney	500
Joan Richardson	200
Mary Phillips	500
Dorothea Grymes	500
Deloris Degree	500
Sheliah Green	500
Jacqueline Sutton	500
Verna Harris	500
Mary Pollack	833
Johnnie Davis	833
Tawanna Sanders-Glover	833
Floyd Bilbo	1,200
Dwight Sanders	1,100
Thomas Mongelli	500

Incentive Awards
FY 1986

Avis Lomax	250
Maud Jeremiah	250
Betty Uzzle	250
Madeline Echols	300
Maria Salazar	250
Diane Jordan	250

Name of Employee	$ Amount of Award
Mary Johnson	250
Ruth Jefferies	250
Beatrice Alexander	250
Pearline Beasley	250
Roberta Boyd	250
Gilbert White	250
Tim Abendroth	500
Rick Osterman	500
Glen Scammel	500
Evelyn Kitay	500
Joan Wise	1,000
John Hedetniemi	300
Wilbur Coleman	300
Ann Newman	300
Diane Guy	250
Garnet Sue Adams	250
Betty Grant	250
Helen Belt	300
Charles Renninger	300
Beverly Davis	250
Sandra Burke	250
Darlene Evans	300
Barbara Regan	200
Christine Coates	300
Darlene Humphries	200
Edna Wren	200
Melinda Collins	250
Paul Snyder	300
Joseph Wells	200
Judith Holyfield	300
Ernestine Hedgepeth	300
Charles Staggs	200
Eunice Anderson	200
Audrey Johnson	200
Naomi Ainsworth	170
Naomi Norris	170
Ella Hamilton	170
Lois Thompson	210
Thomas Curtis	150
William Luker	150
Barbara Saddler	170
Tondalayo Matelski	170
Ruth Johnson	170
Marian Amicon	170
Marie Simpson	210
Nancy Taylor	150
Dorothy Wilson	150
DeAnn Outlaw	170
Patricia Wills	170
Joyce Lannon	210
Carol Russell	150
Phyllis Moffett	150
Shirley Lloyd	170
Merrill Sickles	150
Shirley Reid	210
Frankie McNair	170

Name of Employee	$ Amount of Award
Irene Starks	170
Jewell Williams	170
Paul Nishimoto	250
Richard Armstrong	250
Judith Groves	500
Kent Phillips	1,200
Constance Savoy	600
Leonard Blistein	1,200
Thomas Stilling	1,200
C. Gordan Gill	1,200
Robert Hasek	1,200
Harold Warren	1,200
Doris Austin	900
William Rogers	1,200
William Bowles	500
Mary Griffin	500
Lenore Cummings	500
Marga Deminne	400
Donna Getz	400
Joan Fair	400
Barbara Jacobs	400
Mary Francy	400
Cynthia Outley	400
Laura Sieslch	500
Sandra Stowell	500
Sheardener Stepney	500
Barbara Hartwell	500
Glenn Eady	400
Louise Olinski	500
Elaine Heard	500
Lavadure Williams	500
Paul Graham	400
Michele Holm	500
John Dewar	500
Miriam Ford	500
Robert Quillinan	400
Raymond Weddell	400
Peter Farrette	500
Theresa Maldonado	500
Lawrence Hawthorne	600
Joyce Stephens	500
Myra Smallwood	500
Clarence Jackson	500
Judith Bush	500
Mary McManus	500
Rose Giragosian	500
Robert Horner	400
Joanne Rudolph	400
Joan Richardson	500
Stephen Day	1,250
James Nash	500
Kenneth Tyree	1,000
Dana White	750
Carol Brooks	1,000
Shirley Boone	500
Wilbert Chamberlain	925

Name of Employee	$ Amount of Award
Claudette Chambers	525
Michelle Fort	475
Tom Kelly	925
Joan Seward	600
Flora Taylor	625
Alma Waltz	625
Josephine Gomillion	400
Linda Charles	250
Alice Durham	250
Robert Abare	3,000
Alan Rothenberg	250
Rudolph Saint-Louis	250
Lawrence London	250
H. Johnson	250
Andy Lee	250
Kathy King	250
David Wuehrmann	250
Lawrence Herzig	250
Nancy Howard	250
Garoy Gonzalez	500

Incentive Awards
FY 1985

Mary Hogya	500
Patricia Parker	500
Sheryl Pearson	500
Lawrence Hawthorne	500

PANAMA CANAL COMMISSION

STATEMENT OF DENNIS P. MCAULIFFE, ADMINISTRATOR

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I AM DENNIS PHILIP McAULIFFE, ADMINISTRATOR OF THE PANAMA CANAL COMMISSION. I AM PLEASED TO APPEAR BEFORE YOU TODAY WITH THE HONORABLE WILLIAM R. GIANELLI TO PRESENT THE FISCAL YEAR 1989 BUDGET PROGRAMS OF THE PANAMA CANAL COMMISSION, THE AGENCY RESPONSIBLE FOR THE OPERATION OF THE PANAMA CANAL.

I JOIN WITH MR. GIANELLI IN EXPRESSING, ON BEHALF OF THE PANAMA CANAL COMMISSION, OUR APPRECIATION FOR THE CONTINUING ASSISTANCE RECEIVED FROM THIS COMMITTEE AND ITS MEMBERS.

FISCAL YEAR 1987 FINANCIAL RESULTS

I AM PLEASED TO REPORT THAT, IN SPITE OF THE UNANTICIPATED COST BURDEN IMPOSED BY THE GAILLARD CUT LANDSLIDE EARLY IN THE FISCAL YEAR, THE COMMISSION RECORDED A NEAR BREAKEVEN OPERATION IN 1987, RECORDING A MINIMAL $600,000 LOSS. THIS RESULT WAS ACCOMPLISHED BY THE FINANCING OF SLIDE OUTLAYS THROUGH A COMBINATION OF SAVINGS AND REPROGRAMMING ACTIONS. UNFORTUNATELY, THE DELAY IN RECEIVING SUPPLEMENTAL FUNDING CAUSED THE DEFERRAL OF CERTAIN PLANNED MAINTENANCE PROJECTS AND PROCUREMENTS. THIS LOSS WILL BE CARRIED FORWARD FOR RECOVERY IN FUTURE PERIODS AS PROVIDED BY THE PANAMA CANAL ACT.

OUTLOOK FOR THE CURRENT FISCAL YEAR

THROUGHOUT THE FIRST FOUR MONTHS OF FISCAL YEAR 1988, CANAL TRAFFIC AND TOLLS WERE ABOVE BUDGET PROJECTIONS. AT THE SAME TIME, THE COMMISSION HAD TO CONSTRAIN EXPENDITURES TO REMAIN WITHIN THE FUNDING LIMITS IMPOSED BY THE CONTINUING RESOLUTIONS. AS A CONSEQUENCE OF THESE TWO FACTORS, COMMISSION OPERATIONS OVER THIS PERIOD RECORDED A PROFIT. DESPITE THE PROFIT REALIZED TO DATE, THE COMMISSION STILL EXPECTS TO ACHIEVE A BREAKEVEN OPERATION BY YEAR END. AS THE YEAR PROGRESSES, TRAFFIC IS EXPECTED TO COME IN LINE WITH PROJECTIONS; AND BEGINNING IN JANUARY OF THIS YEAR, THE COMMISSION HAS BEEN AGGRESSIVELY PURSUING ITS PLANNED PROGRAMS.

FISCAL YEAR 1989 OPERATIONS

AS SET FORTH IN THE BUDGET DOCUMENT, WE BELIEVE THERE WILL BE A NEED FOR A TOLL RATE INCREASE IN FISCAL YEAR 1989 TO ACHIEVE A BREAKEVEN OPERATION, AS

IS REQUIRED BY LAW. THIS INCREASE WOULD BE NECESSARY TO MAKE UP A PROJECTED SHORTFALL IN REVENUES THAT YEAR OF $19.0 MILLION AND TO ALSO PROVIDE FOR THE RECOVERY OF THE $600,000 LOSS RECORDED IN FISCAL YEAR 1987. THIS UNDER-RECOVERY SITUATION REFLECTS THE FACT THAT WE ARE REACHING THE POINT WHERE THE EFFECTS OF INFLATION CANNOT BE ABSORBED BY TRAFFIC GROWTH AND COST CONSTRAINTS.

AS INDICATED BY MR. GIANELLI, THE COMMISSION WILL MONITOR REVENUES AND EXPENSES CLOSELY THROUGHOUT THE ENSUING PERIOD TO ASSURE THAT BOTH THE AMOUNT AND EFFECTIVE DATE OF ANY REQUIRED TOLL RATE CHANGE ARE IN CONFORMITY WITH ACTUAL REQUIREMENTS. AT THIS TIME, IT WOULD APPEAR THAT A MODEST TOLL INCREASE OF SOMETHING LESS THAN THE 9.8% INCREASE THAT WE HAD IN 1983 WOULD BE NECESSARY SOMETIME DURING 1989, AND POSSIBLY IN THE LATTER PART OF THE YEAR.

EXPENSES FOR 1989 ARE ESTIMATED AT $471.9 MILLION. OF THIS AMOUNT, APPROXIMATELY HALF IS FOR PERSONNEL COMPENSATION AND BENEFITS. THE REMAINDER IS FOR OTHER SERVICES AND REQUIRED PAYMENTS, TO INCLUDE TREATY PAYMENTS TO THE REPUBLIC OF PANAMA AND INTEREST PAYMENTS TO THE U.S. TREASURY. THERE IS NO PROVISION IN THE BUDGET FOR A CONTINGENT PROFIT PAYMENT TO THE REPUBLIC OF PANAMA.

OPERATING REVENUES IN 1989 ARE ESTIMATED TO BE $472.5 MILLION. OF THIS TOTAL, $358.6 MILLION IS DERIVED FROM TOLLS ASSESSED TRANSITING VESSELS AND $113.9 MILLION IS FROM REVENUES FOR OTHER SERVICES PROVIDED BY THE COMMISSION, PRINCIPALLY TO TRANSITING VESSELS, THE REPUBLIC OF PANAMA, AND OTHER U.S. GOVERNMENT AGENCIES OPERATING IN THE AREA.

ADMINISTRATIVE EXPENSES

WITH RESPECT TO ADMINISTRATIVE EXPENSES, THE REVOLVING FUND LEGISLATION LIMITS SUCH EXPENSES TO THE AMOUNT PROVIDED ANNUALLY IN APPROPRIATION ACTS. AS PROVIDED IN THE PRESIDENT'S BUDGET FOR FISCAL YEAR 1989, THE COMMISSION PROJECTS A REQUIREMENT OF $50.3 MILLION FOR THIS CATEGORY OF EXPENSE. I WOULD LIKE TO ADDRESS IN MORE DETAIL THE FUNCTIONS THAT ARE INCLUDED IN THIS CATEGORY.

1. EXECUTIVE DIRECTION--$11.5 MILLION. THIS PROVIDES FOR THE MANAGEMENT, PLANNING, DIRECTION, AND CONTROL OF OVERALL COMMISSION ACTIVITIES, SUCH AS THE OFFICE OF THE ADMINISTRATOR, OTHER ADMINISTRATIVE SERVICES, AND ALSO THE COST OF THE SECRETARY'S OFFICE IN WASHINGTON, D.C.

2. OPERATIONS DIRECTION--$2.3 MILLION. THIS PROVIDES FOR THE BUREAU-LEVEL DIRECTION AND COORDINATION OF SEPARATE OPERATING BUREAUS WHICH ARE DIRECTLY RELATED TO THE TRANSIT AND SUPPORT FUNCTIONS OF THE COMMISSION.

3. FINANCIAL MANAGEMENT--$13.8 MILLION. THIS FUNCTION IS RESPONSIBLE FOR THE DEVELOPMENT OF FINANCIAL, ACCOUNTING, AND RATE-MAKING POLICIES, ESTABLISHMENT OF SYSTEMS OF INTERNAL CONTROL, AND PROCESSING OF THE COMMISSION'S BIWEEKLY PAYROLL.

4. PERSONNEL ADMINISTRATION--$4.2 MILLION. THIS FUNCTION HAS THE AGENCY-WIDE RESPONSIBILITY FOR PERSONNEL ADMINISTRATION AND MANAGEMENT, AND THE JOINT PERSONNEL PROGRAM THAT PROVIDES STAFFING SERVICES FOR PARTICIPATING FEDERAL AGENCIES IN THE PANAMA CANAL AREA.

5. EMPLOYMENT COSTS--$18.5 MILLION. THIS CATEGORY OF EXPENSE COVERS CERTAIN EMPLOYMENT COSTS OF THE COMMISSION WHICH ARE GENERAL IN NATURE AND NOT IDENTIFIED WITH OTHER SPECIFIC ACTIVITIES. INCLUDED ARE PROVISIONS FOR REIMBURSEMENT TO THE DEPARTMENT OF DEFENSE FOR EDUCATION AND HOSPITAL SERVICES, THE COMMISSION'S SHARE OF PREMIUM COSTS FOR EMPLOYEES' HEALTH BENEFITS INSURANCE, EMPLOYEES' HOME LEAVE TRAVEL, AND REPATRIATION COSTS.

I BELIEVE IT IS IMPORTANT TO POINT OUT THAT THE LARGEST PORTION OF THE ADMINISTRATIVE EXPENSE CATEGORY IS COMPRISED OF PERSONNEL COSTS FOR PERMANENT EMPLOYEES ALREADY ON THE ROLLS AND FOR CERTAIN FUNCTIONS WHICH PROVIDE SERVICE TO THE ENTIRE COMMISSION, SUCH AS THE PAYROLL DEPARTMENT, CENTRAL COMPUTER FACILITY, AND PERSONNEL ADMINISTRATION, WHICH IN REALITY ARE MORE OPERATIONAL THAN ADMINISTRATIVE IN NATURE. IN ADDITION, THERE ARE CERTAIN EMPLOYMENT COSTS WHICH ARE STATUTORILY REQUIRED, SUCH AS THE EMPLOYER'S CONTRIBUTION FOR GOVERNMENT-SPONSORED HEALTH AND LIFE INSURANCE, OVER WHICH THE COMMISSION HAS NO CONTROL.

AS A FINAL COMMENT ON THESE ADMINISTRATIVE EXPENSES WHICH I HAVE DESCRIBED, IT SHOULD BE NOTED THAT THESE COSTS REPRESENT ONLY 10 PERCENT OF OUR ANNUAL BUDGET, AN OVERHEAD LEVEL WHICH I BELIEVE DEMONSTRATES THE EFFECTIVENESS OF MANAGEMENT IN HOLDING SUCH COSTS TO A MINIMUM. SETTING A LIMITATION BELOW THE LEVEL REQUESTED IN THE BUDGET, WHILE PROVIDING NO ADDITIONAL MONEYS TO THE U.S. TREASURY AND PRODUCING NO SIGNIFICANT SAVINGS TO OVERALL CANAL OPERATIONS, WOULD DISPROPORTIONATELY IMPACT ON THE ABILITY OF THE COMMISSION TO CARRY OUT THE MANAGEMENT FUNCTIONS NECESSARY TO THE OPERATION OF THE WATERWAY.

CAPITAL PROGRAM

TURNING TO THE CAPITAL PROGRAM FOR FISCAL YEAR 1989, WE ARE PROJECTING A REQUIREMENT FOR $39.5 MILLION. AS IN PAST YEARS, THE MAJOR PORTION OF THE PROGRAM IS DEVOTED TO ESSENTIAL TRANSIT FACILITIES AND EQUIPMENT. IN ADDITION, THE PROGRAM PROVIDES FOR NEEDED UPGRADING OF POWER AND COMMUNICATIONS SYSTEMS. MAJOR ITEMS IN THE 1989 PROGRAM INCLUDE THE REPLACEMENT OF ONE TUGBOAT; REPLACEMENT OF A DREDGE TENDER; CONSTRUCTION AND REPLACEMENT OF SWITCHGEAR FACILITIES AT THE LOCKS; PURCHASE AND INSTALLATION OF NAVIGATIONAL AIDS; AND CONTINUED UPGRADING OF THE FIRE PROTECTION SYSTEM AT THE LOCKS.

CONCLUSION

BEFORE CONCLUDING MY REMARKS ON THE 1989 BUDGET, I WOULD LIKE TO POINT OUT THAT THE SLUGGISH PERFORMANCE IN TRAFFIC AND TOLLS PROJECTED FOR THAT YEAR IS EXPECTED TO BE SHORT-LIVED; AND BY 1990, CANAL BUSINESS SHOULD RESUME A MODERATE GROWTH PATTERN WHICH WE FORECAST TO CONTINUE UNTIL AT LEAST 1992.

FINALLY, I AM PLEASED TO REPORT THAT THE POLITICAL DISTURBANCES THAT ARE OCCURRING IN PANAMA HAVE NOT AFFECTED THE OPERATIONS OF THE CANAL. THIS IS PRIMARILY DUE TO THE DEDICATION AND PROFESSIONALISM OF OUR EMPLOYEES, MANY OF WHOM RESIDE IN PANAMA CITY, AND WHO ON MANY OCCASIONS HAVE HAD TO TAKE EXTRAORDINARY MEASURES TO TRAVEL TO WORK. I, THEREFORE, JOIN MR. GIANELLI IN COMMENDING THE COMMISSION WORK FORCE FOR ITS OUTSTANDING PERFORMANCE.

MR. CHAIRMAN, THAT CONCLUDES MY PREPARED REMARKS. I SHALL BE PLEASED TO JOIN MR. GIANELLI IN ANSWERING ANY QUESTIONS YOU OR OTHER MEMBERS OF THE COMMITTEE MAY HAVE.

STATEMENT OF WILLIAM R. GIANELLI, SECRETARY OF DEFENSE REPRESENTATIVE FOR PANAMA CANAL AFFAIRS AND CHAIRMAN, BOARD OF DIRECTORS

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I AM WILLIAM R. GIANELLI, SECRETARY OF DEFENSE REPRESENTATIVE FOR PANAMA CANAL AFFAIRS AND CHAIRMAN OF THE BOARD OF THE PANAMA CANAL COMMISSION. I AM PLEASED TO APPEAR BEFORE YOU TODAY TO PRESENT OUR FISCAL YEAR 1989 BUDGET PROGRAMS AND ALSO REPORT ON THE MORE SIGNIFICANT DEVELOPMENTS AND ACCOMPLISHMENTS PERTAINING TO THE PANAMA CANAL ENTERPRISE. PARTICIPATING WITH ME IN THIS HEARING ARE D.P. McAULIFFE, THE ADMINISTRATOR OF THE COMMISSION, AND MICHAEL RHODE, SECRETARY OF THE COMMISSION.

I WOULD LIKE TO TAKE THIS OPPORTUNITY TO EXPRESS MY APPRECIATION TO THE MEMBERS OF THE SUBCOMMITTEE AND THEIR STAFFS FOR THE VALUABLE ASSISTANCE PROVIDED OVER THE YEARS.

REVOLVING FUND CONVERSION

AT THE OUTSET, I WANT TO ASSURE THIS COMMITTEE THAT THE CONVERSION OF THE COMMISSION TO A REVOLVING FUND AGENCY DOES NOT ALTER THE BASIC CONCEPTS UNDER WHICH THE PANAMA CANAL MUST OPERATE.

THAT IS:

- THE U.S. GOVERNMENT MAINTAINS FULL RESPONSIBILITY FOR THE OPERATION AND MAINTENANCE OF THE CANAL UNTIL DECEMBER 31, 1999.
- THE REQUIREMENT CONTINUES THAT THE CANAL OPERATE ON A SELF SUSTAINING BASIS AT NO COST TO THE U.S. TAXPAYER.
- THE COMMISSION'S PROGRAMS AND ACTIVITIES CONTINUE TO BE SUBJECT TO THE CONGRESSIONAL BUDGET REVIEW PROCESS, AND
- THE COMMISSION WILL CONTINUE TO BE SUBJECT TO U.S. GOVERNMENT FISCAL AND ACCOUNTING PROCEDURES.

SIGNIFICANT ACTIONS REQUIRED

I AM PLEASED TO REPORT ON TWO ACTIONS THAT TOOK PLACE IN JANUARY 1988 WHICH ARE IN CONFORMANCE WITH THE NEW LEGISLATION.

THE FIRST ACTION WAS THE TRANSFER OF $85 MILLION FROM THE PANAMA CANAL COMMISSION FUND TO THE GENERAL FUND OF THE U.S. TREASURY WHICH REPRESENTS THE UNREIMBURSED BALANCE OF THE APPROPRIATION FOR FISCAL YEAR 1980 AND WHICH CAME FROM THE GENERAL FUND OF THE U.S. TREASURY; AND OF $62 MILLION ASSOCIATED WITH INTEREST ON THE INVESTMENT OF THE UNITED STATES IN THE CANAL COLLECTED FROM OCTOBER 1, 1979 THROUGH DECEMBER 31, 1985. THE SECOND MAJOR ACTION CONCERNS THE RESTORATION OF THE AFOREMENTIONED INTEREST COLLECTIONS TO THE INVESTMENT BASE WITH A RESULTANT INCREASE OF APPROXIMATELY $6.1 MILLION ANNUALLY OF INTEREST BEING PAID TO THE U.S. TREASURY. THESE ITEMS HAVE BEEN THE SUBJECT OF CONSIDERABLE CONTROVERSY OVER THE YEARS, AND I AM SURE YOU ARE AS PLEASED AS I AM THAT THEY NO LONGER WILL BE MATTERS OF CONTENTION.

BUDGET PROGRAMS

MR. CHAIRMAN, WHILE MR. McAULIFFE WILL ADDRESS IN MORE DETAIL THE BUDGET PROGRAMS AND ACTIVITIES THAT ARE PLANNED IN FISCAL YEAR 1989, WHICH WILL, OF COURSE, INCLUDE THAT PORTION PERTAINING TO ADMINISTRATIVE EXPENSES, I WANT TO AFFIRM THAT THE PROGRAMS FOR THAT YEAR ARE ESSENTIAL AND ARE IN ACCORD WITH THE PROGRAM OF THE PRESIDENT. THESE PROGRAMS AND ACTIVITIES WILL ENABLE US TO CONTINUE TO FULFILL OUR MISSION TO OPERATE THE PANAMA CANAL IN A SAFE AND EFFICIENT MANNER AND AT NO COST TO THE U.S. TAXPAYER. THE CAPITAL INVESTMENT PLANNED FOR FISCAL YEAR 1989 IS ESSENTIAL TO OUR MODERNIZATION EFFORTS AS WE SEEK TO ENSURE THAT THE CANAL REMAINS A VIABLE, COST-EFFECTIVE TRANSPORTATION ALTERNATIVE FOR MARITIME TRADE NOW AND INTO THE FUTURE.

I FORWARDED TO THE CONGRESS ON FEBRUARY 19, 1988 A DRAFT LEGISLATIVE PROPOSAL WHICH AUTHORIZES CANAL OPERATIONS AND CAPITAL EXPENDITURES FOR BOTH FISCAL YEARS 1989 AND 1990. ON BEHALF OF THE ADMINISTRATION, WE ASK FOR YOUR SUPPORT OF THAT PROPOSAL.

ANTICIPATED TOLL RATE INCREASE

THE COMMISSION'S BUDGET FOR FISCAL YEAR 1989 PROJECTS THE NEED FOR A TOLL RATE INCREASE SOMETIME DURING THAT YEAR. THIS ADJUSTMENT IS PREDICATED ON THE CONTINUED INCREASE IN COSTS DUE TO INFLATION IN THE FACE OF ONLY MARGINAL GAIN OR NO GROWTH AT ALL IN CANAL TRAFFIC AND TOLLS. WHILE THE CANAL HAS BEEN ABLE TO ABSORB THE EFFECTS OF INFLATION SINCE ITS LAST TOLL INCREASE IN MARCH OF 1983, THE POINT WILL BE REACHED SHORTLY WHERE THESE RISING COSTS CANNOT BE ABSORBED BY TRAFFIC GROWTH AND COST CONSTRAINTS. I

WANT TO ASSURE THE COMMITTEE, HOWEVER, THAT ACTUAL IMPLEMENTATION OF A TOLL INCREASE WILL OCCUR ONLY IF FORECASTED CONDITIONS CONTINUE.

OVER THE NEXT FEW MONTHS, THE COMMISSION WILL BE MONITORING VERY CLOSELY THE REVENUES AND EXPENSES OF THE CANAL IN ORDER TO MAKE A MORE PRECISE DETERMINATION AS TO THE TIMING AND THE AMOUNT OF ANY TOLL RATE INCREASE. WE ARE WELL AWARE OF THE NEED TO KEEP THE CANAL COMPETITIVE WITH OTHER TRANSPORTATION ALTERNATIVES IN TERMS OF PROVIDING EFFICIENT SERVICE AT THE LOWEST POSSIBLE COST. IN THIS CONNECTION, I CONVENED THE JANUARY MEETING OF THE BOARD AT THE PORT OF LONG BEACH, CALIFORNIA, IN ORDER TO VIEW FIRST-HAND THE INTERMODAL CONTAINER CAPABILITY OF THE PORT-TRUCK-RAIL COMPLEX AND ITS POTENTIAL COMPETITION WITH THE CANAL.

I WANT TO ASSURE THIS COMMITTEE THAT THE COMMISSION APPROACHES ANY CHANGE IN RATES WITH EXTREME CAUTION. THIS CAUTION HAS TO BE BALANCED, HOWEVER, AGAINST THE NEED TO MANAGE THE CANAL ON A FULL COST RECOVERY BASIS AS REQUIRED BY LAW. IT SHOULD BE NOTED THAT IF A TOLL RATE INCREASE IMPLEMENTED, IT WILL BE THE FIRST IN SIX YEARS AND WILL BE LESS THAN THE 9.8% INCREASE THAT WE HAD IN 1983. THIS IS MOST LIKELY THE REASON WE DETECTED NO STRONG OPPOSITION TO THE INCREASE FROM THE SHIPPING INDUSTRY WHEN THE COMMISSION ISSUED AN ANNOUNCEMENT ON THIS SUBJECT LAST SUMMER. WE WILL KEEP THIS COMMITTEE APPRISED OF FURTHER DEVELOPMENTS CONCERNING A POSSIBLE TOLL INCREASE.

SIGNIFICANT ACCOMPLISHMENTS

ON SEPTEMBER 30, 1987, THE COMMISSION COMPLETED EIGHT YEARS OF OPERATION UNDER THE NEW TREATY ARRANGEMENT WITH PANAMA, AND HAS PRODUCED, IN MY VIEW, AN ENVIABLE RECORD OF ACHIEVEMENT. THE FINANCIAL LEDGERS WILL SHOW THAT THE COMMISSION HAS CONDUCTED A BREAKEVEN OPERATION OVER THAT PERIOD, GENERATING REVENUES AND EXPENSES OF MORE THAN $3 BILLION EACH, WHILE FINANCING MORE THAN $200 MILLION OF NEEDED CAPITAL INVESTMENT IN THE CANAL, AND AT THE SAME TIME, SHOWING ONLY A NOMINAL PROFIT OF SOME $8 MILLION. THE COMMISSION HAS ACCOMPLISHED THIS WITHOUT THE USE OF ANY U.S. TAXPAYER MONEY, AND HAS SUCCESSFULLY MET ITS MANDATE TO COVER ALL CANAL COSTS WITH REVENUES EARNED. AT THE SAME TIME, THE COMMISSION MET ITS OBLIGATION TO PROVIDE A SAFE AND EFFICIENT SERVICE TO THE INTERNATIONAL SHIPPING COMMUNITY AT REASONABLE COSTS, HAVING PLACED INTO EFFECT ONLY ONE NOMINAL RATE INCREASE SINCE OCTOBER 1, 1979.

LOYAL SERVICE BY CANAL EMPLOYEES

I WOULD ALSO LIKE TO GO ON RECORD WITH A COMMENDATION FOR THE EMPLOYEES OF THE PANAMA CANAL COMMISSION. DESPITE THE UNSETTLING POLITICAL CONDITIONS EXISTING IN RECENT MONTHS IN PANAMA, OUR EMPLOYEES HAVE, THROUGH THEIR WHOLEHEARTED COMMITMENTS, CONTRIBUTED TO THE UNINTERRUPTED OPERATION OF THE CANAL ENTERPRISE. THIS LOYALTY IS MOST ADMIRABLE AND SHOULD NOT GO UNRECOGNIZED. I BELIEVE THIS IS A GOOD INDICATION OF THE PROSPECTS FOR THE CONTINUED ORDERLY OPERATION OF THE CANAL.

CATASTROPHE INSURANCE

AS A FINAL REMARK, I WOULD LIKE TO ADVISE THIS COMMITTEE THAT THE COMMISSION'S CATASTROPHE INSURANCE PROGRAM WAS PLACED INTO EFFECT ON DECEMBER 24, 1987. WITH THIS INSURANCE, THE COMMISSION IS NOW PROTECTED AGAINST MAJOR AND UNPREDICTABLE REVENUE LOSSES AND EXPENSES ARISING FROM CATASTROPHIC EVENTS. THIS COVERAGE ENHANCES SUBSTANTIALLY THE CAPABILITY OF THE COMMISSION TO OPERATE ON A SELF-SUSTAINING BASIS WITHOUT ANY COST TO THE U.S. TAXPAYER.

CONCLUSION

MR. CHAIRMAN, THIS CONCLUDES MY PREPARED REMARKS. I WOULD LIKE TO REITERATE MY APPRECIATION TO YOU AND THIS COMMITTEE FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY. IF IT MEETS WITH YOUR APPROVAL I RECOMMEND THAT MR. McAULIFFE BE ALLOWED TO PRESENT HIS STATEMENT, AND THEN WE BOTH WILL BE AVAILABLE FOR QUESTIONS.

QUESTIONS SUBMITTED BY SENATOR LAUTENBERG

CHANGES IN FINANCIAL STRUCTURE

SENATOR LAUTENBERG. P. L. 100-203 converted the Panama Canal Commission to a revolving fund. Please provide a chronology of the financial transactions and/or constitutional adjustments involved in this changeover. When, for example, did you complete the required transfers to the general fund of the Treasury and what, if any, impact have these transfers had on the financial position of the Commission and the U.S. Government? (Please be inclusive in your response.)

Answer. The following tabulation identifies the financial transactions required by Public Law 100-203 converting the Panama Canal Commission to a revolving fund. These transactions took place on January 1, 1988.

P.L. 100-203 Section & Description	Amount (thousands)
1302 (a)(2)(A) Transfer of unappropriated balance and undeposited receipts to Panama Canal Revolving Fund--no impact.	$ 15,541
1302 (a)(2)(B) Transfer of unexpended balance of appropriations to Revolving Fund -- no impact.	$240,731
1302 (a)(2)(C) Recording of assets/liabilities under Panama Canal Commission Fund- no impact.	-
1302 (a)(2)(D) Transfer of Emergency Fund to Revolving Fund-- no impact.	$ 10,000
1302 (b)(1) Transfer of interest collected prior to 1/1/86 to General Fund of U.S. Treasury --has resulted in the Commission having to pay U.S. Treasury approximately $6.5 million additional interest expense each year.	$ 61,653
1302 (b)(2) Transfer of remainder of FY 1980 appropriation--no impact	$ 85,583
1304 Established Borrowing Authority for Panama Canal Revolving Fund providing funding authority to cover obligational requirements.	$100,000

EMERGENCY FUND

SENATOR LAUTENBERG. P. L. 100-203 provided for the transfer of the $10 million Emergency Fund to the Revolving Fund. Are these funds still unobligated and available as an Emergency Fund?

Answer. As provided in section 1302 (a)(2)(D) of P.L. 100-203, the Emergency Fund was terminated on the effective date of the Panama Canal Revolving Fund Act (January

1, 1988) and the balance of $10.0 million was transferred to the Panama Canal Revolving Fund. Since the $10 million appropriation, establishing the Emergency Fund, came from Canal revenues, it properly is part of the resources of the Panama Canal Revolving Fund. Although there are no longer any funds identified, unobligated or available, specifically for emergency purposes, all uncommitted resources of the Commission at any given time would be applied to take care of any emergency situation.

FY 1988 APPROPRIATION

SENATOR LAUTENBERG. The fiscal 1988 Continuing Resolution (P. L. 100-202) provided total appropriations of $440,803,000 for the Panama Canal Commission. The President's budget (Appendix, pp. I-Z74-75) and your justification, however, show a total special fund fiscal 1988 appropriation of only $287,962,000, a difference of $152,841,000. What accounts for this difference?

Answer. A comparison between the two appropriation amounts has no relevance. This is because the appropriations are established on two different bases to accomplish two different objectives. The appropriation amount contained in P.L. 100-202 of $440,803,000 provided funds to operate the Canal on a full year basis in FY 1988 as an appropriated fund agency. Accordingly, this amount reflected the necessary funding level required for the total operating and capital programs for that year.

The appropriation amount contained in the President's Budget (appendix PP I Z74-Z75) of $289,663,020, ($287,962,000 special fund appropriation and $1,701,000 indefinite appropriation) is based on the conversion of the Commission from an appropriated fund agency to a revolving fund agency effective 1/1/88. This amount was derived by picking up the balance of receipts in the special Panama Canal Commission Fund at September 30, 1987 of $176,897,936 and adding the Commission's receipts for the months of October through December ($112,765,084). Since these funds represent revenue collections of the Canal, they properly make up part of the new Panama Canal Revolving Fund. Having these funds appropriated accomplished two things: (1) it provided the Commission with resources to operate during the first quarter of FY 1988 as an appropriated fund agency, and (2) it provided the legal basis for the transfer of the balance in the special fund of the Panama Canal Commission to the new revolving fund.

SENATOR LAUTENBERG. If the $152.8 million is not required, what is its budgetary/financial status? Is it still carried on the books as an unobligated balance?

Answer. The $152.8 million amount does not reflect a variance in obligational requirement but rather the effect of operating as an appropriated fund agency for the full year in 1988, in contrast to operating as an appropriated fund agency for only three months and the remainder of the year as a revolving fund entity. The amount of $152.8 million is not on

the Commission's books as an unobligated balance since it was never appropriated to the Commission in the first place.

U.S.-PANAMA RELATIONS AND COMMISSION FUNDING

SENATOR LAUTENBERG. The Administration, in its effort to force the removal of General Noriega, whose government it has supported for several years, has, I understand, directed the Commission to withhold certain payments from Panama under the Panama Canal treaty and related legislation. What payments are currently being withheld?

Answer. Payments to the Government of Panama that are currently being withheld include treaty payments (annuity, public service and net tonnage) and payroll related items for educational insurance tax, social security, income tax and other miscellaneous items. The total associated with these withheld payments amounts to $23.0 million through May 31, 1988 (excludes treaty payments for May- these payments are made in the following month).

SENATOR LAUTENBERG. How much has been withheld to date from the various payments due Panama under the Treaty?

Answer. Since February, 1988, $15.3 million has been withheld for the treaty related payments. Included in these payments are the monthly amounts associated with the annual public services payment and fixed annuity for the months of February, March and April. Monthly tonnage payments for these months are also included.

SENATOR LAUTENBERG. Are these funds retained in the Commission's Revolving Fund, or are they in some other account?

Answer. As directed by the Secretary of the Treasury, these funds are in an escrow account in the Federal Reserve Bank of New York specifically reserved for the recognized Government of Panama.

SENATOR LAUTENBERG. What impact has withholding these funds had on the Commission, Canal operation, and the prospects for orderly transfer of the Canal at the end of this century?

Answer. Thus far, no adverse impact to Commission operations has been experienced as a result of the Presidential Executive Order which prohibits payments to the Noriega regime. Some inconvenience was experienced for a few days during April when INTEL, the Government of Panama telephone agency, suspended long-distance service to the Commission due to the delinquent status of its account. That service was restored promptly after the Department of Treasury authorized the direct payment of bills to Panamanian utility agencies. Nevertheless, the Director of the Panamanian Social Security System has been threatening to withhold medical services to Commission employees covered under that system if the Canal agency does not remit the employee and employer social security contributions directly to his agency. The withholding of those services from the some 4,000 Commission

workers who are covered by the system and their 12,500 dependents could have a gradual but increasing adverse impact on employee morale and thereby on Canal operations. The Commission is conscious of this potential and, consequently, is developing contingency plans to insure that those employees have an alternative source of health insurance protection if authority is not granted to pay these social security payments.

SENATOR LAUTENBERG. Will these funds be used to make payments to Panama in the future? If so, when? (Please elaborate with respect to each type of payment.)

Answer. These funds are currently being placed in escrow for the account of the Delvalle government and the Panama Canal Commission no longer has any control over these amounts. It is presumed that the Commission will continue to deposit funds into the escrow account until the sanctions against Panama are lifted or the Commission is given directions to do otherwise.

PANAMA CANAL SECURITY

SENATOR LAUTENBERG. Last year you indicated that the U.S. Southern Command was planning measures to strengthen security of the Canal and associated facilities in the Canal Area. You also indicated that Commission relations with the Panamanian Defense Forces had been excellent and "very much attuned to the possibilities of a threat situation...." at the Canal. Do you remain confident of the Panamanian Defense Forces in light of our current relations with the Noriega regime?

Answer. Under the terms of the 1977 Panama Canal Treaty, the Panama Defense Forces (PDF) are responsible for providing police protection in Canal operating and housing areas, and for cooperating with the U.S. to guarantee the security of the Commission and its property, as well as its employees and their families. The PDF have lived up to these responsibilities, for the most part, although there have been some unfortunate incidents over the past year where police services have been inadequate or non-existent. Moreover, there have been several cases where PDF members themselves have been involved in the harassment and mistreatment of Canal workers. While these types of occurrences may tend to undermine confidence in the PDF, there is no evidence yet that the Panamanian police forces are intentionally and, as a matter of general policy, refusing to fulfill their treaty obligations. In any event, it will be incumbent on both the Commission and the Administration to remain vigilant and insure that all pertinent treaty protections and guarantees are provided, as required.

SENATOR LAUTENBERG. There were reports of an armed incursion and small scale fire fight in the Canal Area a few weeks ago. What actually happened? What further security measures are indicated?

Answer. The Commission will have to defer to the U.S. Southern Command concerning the full particulars of

whatever incidents may have taken place and the security measures being taken on defense sites to counteract such occurrences.

SENATOR LAUTENBERG. What does the current imbroglio with the Noriega regime portend with respect to the assumption of the Administrator's office by a Panamanian national in 1990? How does the Commission plan to assure the selection of an acceptable candidate?

Answer. While the Commission does not play a direct role in the selection of an Administrator, there is a formal process established in Public Law 96-70 that provides for the appointment of that official by the U.S. President, by and with the advice and consent of the Senate, to hold office at the pleasure of the President. Nevertheless, should the present political turmoil as well as the state of deteriorating relations between the United States and Panama continue into next year, the outlook could well be less than encouraging with respect to the naming of a Panamanian to serve as Administrator. It cannot now be predicted with any certainty, for instance, who the nominee might be, let alone that person's accountability to the current regime or the Panama Defense Forces.

We would hope, however, that the Government of Panama will help maintain the Commission's policy of keeping the waterway apolitical by nominating an individual based solely on his capability to head the Canal enterprise, an individual who is not a political figure one who could project an image of professionalism to Canal users.

REVENUE PROJECTIONS

SENATOR LAUTENBERG. You project revenues of $472.5 million, including $358.6 million from tolls of which $19.6 million derives from a toll increase. Provide for the record a table comparing your revenue projections for fiscal years 1984-1987 with actual revenues realized broken out by tolls versus other revenue sources.

Answer. The following tabulation compares the Commission's revenue projections versus the actual revenues realized for fiscal years 1984-1987 by tolls and other sources.

Tolls	President's Budget (Initial Estimate)	Following Year President's Budget (Revised Estimate)	Actual
		(In thousands of dollars)	
1984	329,400	295,000	289,155
1985	315,000	310,000	300,808
1986	320,000	311,000	322,734
1987	312,000	333,000	329,859

Other Revenues

1984	129,625	115,973	115,267
1985	125,486	118,663	105,915
1986	124,573	119,473	104,658
1987	125,370	109,927	106,274

SENATOR LAUTENBERG. What are your current toll rates and what increase(s) does the $19.6 million increase in revenues reflect?

Answer. The current toll rates charged transiting vessels are as follows:

	Toll Rates
Laden vessels	$1.83
Ballast vessels	1.46
Displacement ton	1.02

The $19.6 million increase in tolls revenue assumes an increase of approximately 9% to be effective in the second quarter of FY 1989. However, due to increased revenues in fiscal year 1988 and the projected increase in fiscal year 1989, it is anticipated that a toll rate change can be delayed until fiscal year 1990.

SENATOR LAUTENBERG. What would the increase be on a full year basis?

Answer. If it were to be placed in effect, the full year effect of a 9% increase in FY 1989 would amount to approximately $30.5 million.

SENATOR LAUTENBERG. Why is a toll increase necessary?

Answer. Public Law 96-70, the Treaty implementing legislation, stipulates that toll rates shall be established to cover all costs of maintaining and operating the Panama Canal. This mandate of law is the basic financial framework under which the Commission operates. The last toll rate increase occurred some six years ago in March 1983. Since then, the Commission has been able to absorb the effects of inflation. Initial projections indicated that a point would be reached in 1989 where rising costs could no longer be absorbed by traffic growth and cost constraints. Because of higher than anticipated levels of traffic, however, the Commission now believes that a toll rate change may not be necessary until fiscal year 1990.

It is important to note that the Commission approaches any change in rates with extreme caution. Accordingly, every effort will be made to minimize the increase and defer it until it is absolutely essential. The Commission's major objectives in this regard will be maintained, i.e. manage the Canal on a cost recovery basis along with providing efficient service at the lowest possible cost.

SENATOR LAUTENBERG. Will the toll increase you plan result in the diversion of traffic from the Canal? If not, why not?

Answer. Based on previous experience and on studies prepared by consultants under contract to the Panama Canal Commission, the projected toll rate increase will not result in a diversion of traffic from the Canal. Studies of the sensitivity of Panama Canal trade have found that Canal traffic demand is only moderately sensitive to toll rate increases with no measurable diversions to alternatives occurring with the level of rate increase contemplated by the Commission in 1989. The basic reason for this conclusion is that the cost of transportation alternatives to the Canal also increase as a result of inflation.

BORROWING AUTHORITY

SENATOR LAUTENBERG. P. L. 100-203 also provides borrowing authority of up to $100 million for the Commission. For what purposes can the Commission use this borrowing authority?

Answer. The Panama Canal Commission may borrow from the Treasury for any of the purposes of the Commission except for payments to Panama under Article XIII of the Panama Canal Treaty of 1977. The principal objective of this authority is to provide a necessary funding buffer to insure that the obligational ceilings would not impose undue restrictions in the day-to-day operation of the Canal. No expenditures are planned against this borrowing authority.

SENATOR LAUTENBERG. If, for some unforeseen reason, Commission expenditures were to exceed fund resources for a fiscal year, could the Commission use the borrowing authority to cover the shortage?

Answer. It is unlikely that the Commission would ever have to resort to the use of this borrowing authority. Canal revenues should be sufficient to cover all ongoing expenditure requirements. However, if the need to use the borrowing authority should arise, Public Law 100-203 provides that the Treasury would have to agree to the payback plan and the maturity date, which may not be later than the Treaty termination date. The unlikeliness of this occurring is illustrated by the fact that the predecessor agency (the Panama Canal Company) had a similar authority and never had occasion to draw down funds against it.

CARRYOVER BALANCES

SENATOR LAUTENBERG. Your Program and Financing Schedule shows end of year unobligated balances of $19.2 million in FY 1986, $12.3 million in FY 1987, and $24.2 in FY 1988. What accounts for the carryover balances?

Answer. The following tabulation identifies the details of the Commission's unobligated balances for 1986 through 1988.

	FY 1986	FY 1987	FY 1988
PCC Special Fund:			
Capital program	$ 9.2	$ 2.3	-
Emergency fund	10.0	10.0	-
PCC Revolving Fund	-	-	24.2
Total unobligated balance	$19.2	$12.3	$24.2

The unobligated balances in 1986 and 1987 are associated with funds appropriated for specific items but not yet obligated at year-end. These funds are, nevertheless, earmarked for specific purposes or to complete specific capital projects.

In FY 1988, the unobligated balance refers to the Commission's total resources for which there are no commitments. In this regard, there was additional information that came to light subsequent to completing the Commission's budget projections that reflected an overstatement of the Commission's unobligated balance at the end of 1988. This additional information related to the treatment or obligating of the agency's leave liability which is handled differently for an appropriated fund agency as compared with a revolving fund agency. The effect of this new information was to essentially eliminate any unobligated balance for the Commission at year-end 1988.

SENATOR LAUTENBERG. How are they related and/or differentiated from operating surpluses? Or, to put it another way, why don't such carryovers result in a profit payment to Panama?

Answer. There is no relationship between the amount in question (unobligated balances) and the operating surpluses which are required to be paid to the Republic of Panama. This is because one is on an obligational basis while the other is on an accrued cost basis which includes amounts for depreciation, which does not require the use of funds, and reserve accruals, which do not become an obligation until there is an actual purchase or an outlay of funds.

GAILLARD CUT SLIDE REMOVAL COSTS

SENATOR LAUTENBERG. You requested a supplemental of $6 million in fiscal 1987 to cover about 40 percent of the costs of removing the Gaillard Cut slide. The fiscal 1987 Supplemental appropriations act provided $3 million for this purpose. Provide a breakout of these sources used by the Commission to finance the costs of the Gaillard Cut slide removal.

Answer. The Commission was able to finance most of the $9.6 million cost of the Gaillard Cut slide removal by redirecting available resources, deferring a portion of planned maintenance and other operational programs, and by postponing partial procurements of supplies and materials and inventory items, much of which is difficult to place a value on.

The items that were associated with the Commission's ability to finance the slide removal costs included deferral of Gatun

approach maintenance dredging and Bohio curve widening dredging; reduction in the scope of locks tow track rehabilitation efforts; deferral of the Commission lakes sedimentation survey and Pacific entrance hydrosurvey; deferral of the erosion protection designs; reduction in the scope of dams inspection and a general across-the-board effort to reduce the purchase of operating supplies and materials and inventory items.

ADMINISTRATIVE EXPENSES

SENATOR LAUTENBERG. Your program and Financing Schedule shows an estimate of $50.3 million for administrative expenses in fiscal 1989, an increase of $3.3 million or 7 percent over fiscal 1988. The Budget Summit agreement provided for increases of 2-3% in domestic discretionary appropriations. How do you justify a request for a 7% increase?

Answer. The Commission's administrative expenses for FY 1989 are estimated at $50.3 million. A large portion of this is for certain non-discretionary costs such as employees' home leave travel, payments to Department of Defense for health and education services, the Commission's contribution to employee health benefits under the Federal Employees Health Benefits Act (FEHBA) and certain other Commission employment costs which are statutory in nature.

The estimated cost increases for these types of administrative expenses exceed the 2-3% level agreed to at the Budget Summit and, thus, are mainly responsible for the 7% overall increase in the Administrative Expense category. For example, FEHBA is estimated to increase by 13.1%, home leave travel by 6.9%, and health and education sponsorship by 5.1%. The Commission has no direct control over these increases.

SENATOR LAUTENBERG. Your justification estimates administrative expenses under limitation at $49.611 million for fiscal 1989. Your Program and Financing schedule (p. 46 of justification), however, proposes $50.287 million for "administrative expenses". Please reconcile these sums. What is included in the difference.

Answer. The fiscal year 1989 estimate of $50.287 million shown in the Program and Financing schedule represents obligations. These obligations include the $49.611 million of operating expenses shown in the justification on page 7 and $.676 million of selected resources for undelivered orders, and certain other balance sheet items which do not become operating expenses until they are paid.

SENATOR LAUTENBERG. Which constitutes your request under Section 5422(c)(2) of P.L. 100-203?

Answer. Although no amount is addressed in the above referenced section, the Commission assumes the amount will be held to $50,287 thousand, which is an obligational amount.

SENATOR LAUTENBERG. Your justification also projects $49.683 million in fiscal 1989 for "General expense not under limitation." Provide for the record a list of activities in this category and explain why these expenses are not subject to limitation. For example, why are training expenses exempt?

Answer. The fiscal year 1989 estimate for "General expenses not under limitation" is $44.683 million.

Included in this amount are the following costs:

	(In millions of dollars)
a. Interest expenses on the U.S. Government's net direct investment in the Panama Canal	13.085
b. Amortization of special retirement program (in accordance with Subchapter IV of the Panama Canal Act of 1979 Public Law 96-70)	19.560
c. Cost of Training Administration and Courses	2.823
d. Commission payments under the Federal Employees Compensation Act (FECA)	4.954
e. Incentive Awards (Payments to employees to reward performance, suggestions, and length of service)	.855
f. Accrual for future Commission liability under FECA	4.500
g. Alien Cash Relief and Home Care Program (Cash pensions to former non-U.S. citizen employees not covered under the Civil Service Retirement System and related health care as authorized)	1.295
h. Miscellaneous expenses (including severance pay and an offsetting depreciation credit for assets purchased with capital advance funds)	-2.389
TOTAL OTHER GENERAL EXPENSES	44.683

The above expenses are not under limitation because they are (a) Treaty-driven (such as the special retirement cost and training), (b) handled similar to the way they were before treaty when there was an administrative limitation (e.g. interest expense, payments under FECA and Alien Cash Relief, home care program, and (c) not requiring the outlay of funds (e.g. accrual for future Commission liability under FECA).

Specifically, the Commission's training costs have been excluded from the administrative area because of the Treaty-mandated emphasis on accelerated training for Panamanian employees to prepare the Panamanian workforce to assume responsibility for the Panama Canal in the year 2000.

SENATOR LAUTENBERG. Update the table on p. 398 of last year's hearing record (S. Hrg. 100-354 Pt. I) for fiscal 1988 and provide a brief explanation of the grants awarded.

Answer. Cash grants are awarded to employee and community organizations to provide needed funds to maintain the operation of these groups in order to sustain employee morale.

Organizations are required to utilize funds only for improvements, renovations, and repairs to their buildings, clubhouses, docks and marinas, and for the purchase and replacement of equipment. The following amounts were spent for these purposes in fiscal years 1986, 1987, and through April 1988.

	FY 1986	FY 1987	FY 1988 Thru April
American Pacific Sportsmen's Association	$ 3,000	$ 1,500	-
Balboa Gun Club	4,300	-	2,500
Brazos Brook Country Club	3,000	3,000	-
Gamboa Country Club	5,000	-	-
Gatun Yacht Club	-	5,000	5,000
Industrial Softball League-Pacific	2,000	2,000	2,000
Industrial Softball League - Atlantic	-	700	1,000
Junior Football League - Balboa Rams	3,000	1,300	5,000
Pacific Girls Softball League	-	-	300
Pacific Teenage Baseball League	-	5,000	-
Panama Canal Tarpon Club	-	4,000	3,000
PCC Amateur Radio Association	1,200	-	-
PCC Employee Running Club	-	-	1,000
The Theater Guild, Inc.	3,500	2,500	-
Total	$25,000	$25,000	$19,800

SENATOR LAUTENBERG. Provide for the record a schedule of positions of the offices subsumed by Executive Direction broken out by grade, compensation, and average compensation/position at each grade.

Answer. The following schedule shows the positions, basic compensation, and average basic compensation/position at each grade for the offices of Executive Administration (including the Administrator's staff, Administrative Services staff, Office of Public Affairs, Guide Services, and Office of the Commission Secretary):

Office	FTP Positions	(In thousand of dollars) Basic Compensation	Avg. Basic Compensation
Office of the Admin. and Staff			
AD	1	76	76
CX	1	76	76
EX	3	227	76

Office	FTP Positions	(In thousand of dollars) Basic Compensation	Avg. Basic Compensation
Office of the Admin. and Staff (continued)			
NM-15	4	287	72
NM-14	10	588	59
NM-13	19	982	52
NM-12	13	523	40
NM-11	11	369	34
NM-10	1	27	27
NM-09	3	85	28
NM-08	1	31	31
NM-07	8	192	24
NM-06	12	253	21
NM-05	6	77	13
NM-04	2	23	12
NM-03	1	12	12
NM-01	1	9	9
MG-09 (wageboard)	1	18	18
	98	3,855	40
Administrative Svcs			
NM-13	2	110	55
NM-12	7	291	42
NM-11	7	255	36
NM-10	5	152	30
NM-09	9	287	32
NM-08	1	36	36
NM-07	10	273	27
NM-06	7	140	20
NM-05	9	113	13
NX-05	1	24	24
NM-04	9	108	12
NX-04	1	18	18
NM-03	5	59	12
NM-02	6	95	16
	79	1,961	25
Office of Public Affairs			
NM-15	1	68	68
NM-14	1	71	71
NM-13	1	53	53
NM-12	2	91	46
NM-11	3	102	34
NM-10	4	121	30
NM-09	10	234	23
NM-08	1	26	26
NM-07	5	111	22
NM-06	1	19	19
NM-05	7	77	10
	36	973	27

Office	FTP Positions	(In thousand of dollars) Basic Compensation	Avg. Basic Compensation
Guide Service			
WM-9	1	28	28
WM-7	2	45	23
WM-6	2	36	18
WM-5	1	13	13
	6	122	20
Office of the Commission Secretary			
EX	1	75	75
GS-13	6	278	46
GS-09	1	27	27
GS-07	1	22	22
GS-06	1	20	20
	10	422	42

SENATOR LAUTENBERG. You are requesting $508,000 for consultants in fiscal 1989. Please provide a list of all consultant contracts by year for fiscal years 1985-1988 (to date). Also include a brief description of the project, study or service; total contract costs; type of contract award (i.e., sole source or competitive); and the name and address of the consultant or contractor.

Answer. The following table shows consulting services contracted by the Panama Canal Commission during fiscal years 1985-1988:

Consultant Address and Project Description	Type of Contract	FY 1985	FY 1986	FY 1987	FY 1988 Thru April
Total (Dollars in thousands)		$221	$439	$282	$125
Associates for International Research, Inc. Cambridge, MA.					
Cost of living impact study on U.S. and Panamanian employees who lost certain privileges as a result of the Panama Canal Treaty of 1977	Sole Source	11	21	4	

Consultant Address and Project Description	Type of Contract	FY 1985	FY 1986	FY 1987	FY 1988 Thru April
Manalytics, Inc. San Francisco, CA					
Forecast of Panama Canal traffic and tolls	Competitive	12			
Temple, Barker & Sloan, Inc. Boston, MA					
Sensitivity analysis of rate increases and benefits derived from the widening of the Gaillard Cut	Competitive	19	11		
Mr. Bruce A. Leinback Tallahassee, FLA.					
Mediation/Arbitration services in connection with renegotiation of the pilots contract	Sole Source	28			
Arthur Andersen & Co. Chicago, Ill.					
Assistance, recommendations, studies, and reports in areas of accounting and tolls rates policies and revisions	Competitive	141	208	120	107
Technical Advisory Service for Attorneys (TASA)					
Marine Engineer and Naval Architect svcs. regarding tug litigations (Crowley Maritime Corp. and Puget Sound Tug and Barge Co. versus Panama Canal Comm.)	Competitive			3	

Consultant Address and Project Description	Type of Contract	FY 1985	FY 1986	FY 1987	FY 1988 Thru April
Warren, McVeigh & Griffin, Inc. Risk Management Consultants Newport Beach, CA. Recommendations and expert advice in connection with the procurement of catastrophic insurance for the Commission	Sole Source				17
Mr. C. J. Spivey Charlotte, NC Recommendations and expert advice in connection with the procurement of catastrophic insurance for the Commission	Sole Source				1
Arthur Andersen & Co. Chicago, Ill Assistance in presenting the Universal Measurement System before the int'l. shipping community	Sole Source	10			
Bear, Stearns & Co., Inc. New York, NY Study of financing alternatives for the widening of Gaillard Cut	Competitive		125	121	

Consultant Address and Project Description	Type of Contract	FY 1985	FY 1986	FY 1987	FY 1988 Thru April
Mr. Hector Maldonado A. Rio Piedras, PR Assistance in updating the Panama Canal Comm. housing rental rates based on comparability with Mayaguez, Puerto Rico	Sole Source		3		
Management Concepts, Inc. Vienna, VA Services to review and update the Commission's acquisition procedures and regulations	Competitive		61		
Mr. Stanton Hunter San Diego, CA Services of hearing examiner in connection with labor relations cases	Sole Source		10	5	
Mr. Neil M. Gunderman Madison, WI Services of hearing examiner in connection with labor relations cases	Sole Source			8	
CACI, Inc. Arlington, VA Evaluation of the Commission's English language training program	Competitive			21	

SENATOR LAUTENBERG. You are projecting $855,000 for incentive awards in fiscal 1989. Please update the list of incentive awards appearing on pps. 407-414 of last year's hearings (S. Hrg. 100-354 Pt. 1) for fiscal 1987.

Answer. The following Incentive Awards in the amount of $1,000 and above were presented in FY 1987:

Name	Occup. Title	Type of Award
Richard L. Cahill	Pers Mgmt Spec	OP
Justin J. Bonanno	Marine Opns Off	SPA
Louis M. Pascavage	Pilot	SPA
Adriano E. Diaz	Supvy Gen Engr	SPA
Barbara H. Selvey	Supvy Accnt	OP
Fred A. Cotton	Program Manager	DSA
Justin J. Bonanno	Marine Opns Off	DSA
Enrique J. Qualdo	Equip Spec (ELC)	SPA
Duane A. Rigby	Financial Mgr	OP
Myron A. Schroeder	Budget Officer	OP
Robert T. Russell, Jr.	Pers Mgmt Spec	OP
Ronald F. Keeney	Auditor	OP
Pauline E. Fulop	Supvy Auditor	OP
Peter A. Liehr	Supvy Auditor	OP
Gene E. Blackford	Auditor	OP
Rolando E. Winberg	Program Manager	OP
Edward V. Amason	Security Offcr	OP
Joan Ohman	Budget Analyst	OP
Louis A. Vogel, Jr.	Budget Analyst	OP
Phillipa R. Tom	Supvy Budget Analyst	OP
Eva Chen	Budget Analyst	OP
Celestino Cubilla G.	Budget Analyst	OP
Virginia K. Allen	Admin Officer	OP
Barbara A. Fuller	Staff Assistant	OP
Juana M. Joly	Budget Officer	OP
Ernest B. Hickman	Program Manager	OP
Gerard P. Lavecchia	Supply Mgmt Off	OP
Michael K. Baker	Contract Spec	OP
Herschell W. Dempsey, Jr.	Printing Offcr	OP
Theodore G. Lucas	Gen Attorney	OP
Carlos L. Linares B.	Supvy Indl Engr	OP
Michael Rhode, Jr.	Secretary, PCC	OP
Ronald L. Seeley	Director of PR	OP
Joseph W. Wood, Jr.	Admin Svc Offer	OP
Raymond P. Laverty, Jr.	Program Manager	OP
George T. Hull	Mr Opns Director	OP
John J. Plunkett	Supvy Gen Engr.	OP
Richard O. Burgoon	Financial Mgr	OP
Bruce A. Quinn	Ombudsman	OP
Michael N. Stephenson	Labor Rel Offer	OP

Name	Occup. Title	Type of Award
James A. Mathis	Supvy Auditor	OP
John L. Haines, Jr.	Svy Gen Attorney	OP
Clarence C. Payne	Admin Svc Offer	OP
Tilcia R. McTaggart	Equal Empl Mgr	OP
Anel E. Beliz S.	Pub Affairs Spc	OP
Melva A. Raven	Economist	OP
Melvin D. Kennedy, Jr.	A-V Info Offer	OP
Willie K. Friar	Pub Affairs Spc	OP
Silverio A. Henriquez	MR Sfy Spc (HM)	OP
Valentine D. Lynch, Jr.	Svy Admeasurer	OP
John F. Hern, Jr.	Supvy Accnt	OP
John M. Eberenz	Supvy Admeasurer	OP
George A. Markham	Mr Admin Offcr	OP
Judith A. Baerg	Svy Eme Dvl Spc	OP
Mary K. Vidaurri	Svy Pr Mgmt Spc	OP
David J. Niedzialek	Svy Cl + Wg Spc	OP
Elvira I. Arias	Svy PR Staff Spc	OP
Cecilia Marciacq	Svy PR Sf Sp(E)	OP
William H. M. Brunner	Sfy + Occ Hl Mgr	OP
Richard A. Cheville	MD Off (Occ Med)	OP
Julian P. Rodriquez	Svy Eme Dvl Spc	SPA
Bruce G. Sanders III	Svy MTC	OP
Douglas C. Schmidt	Admin Officer	OP
Jerry L. Ransom	MR Trnsp Op Off	OP
Kenneth L. Morris	Svy Rates Anl	OP
Robert J. Boatwright, Jr.	Budget Officer	OP
William C. Forbes	Prog Analys Off	OP
William E. De Selover	Pilot	OP
Clarita T. Smith	Labor Rel Spec	OP
Donald P. Garrido	Marine Opns Offcr	OP
K. E. Goldsberry	Admin Svc Offcr	OP
James E. Ferrara	Admin Svc Offcr	OP
Herman B. Palmer	Pilot	OP
Donald P. Kat	Pilot	OP
Jeffrey B. Robbins	Pilot	OP
Felix Urquizu	Pilot	OP
Earle H. Holder	Pilot	OP
George A. McArthur	Supvy Gen Engr	OP
Daryl F. Bullinger	Supvy Gen Engr	OP
Thomas E. Pierce	Admin Svc Offer	OP
Dale M. Wagner	Svy MTC	OP
Ralph C. Plummer	Pilot	OP
Ray V. Hall	Pilot	OP
Joseph A. Morrissey	Pilot	OP
F. Zegers De Beyl	Pilot	OP

Name	Occup. Title	Type of Award
Junius P. Chauvin	Pilot	OP
Robert E. Dell	Pilot	OP
Robert M. Baum, Jr.	Pilot	OP
Richard T. Thomas	Pilot	OP
Harold E. Wyeth	Pilot	OP
Jorge A. Teran S.	Pilot	OP
Vicki L. Boukalis	Budget Officer	OP
Robert K. Munchback	Chr E-I-C, Twbt	OP
Waldo B. Gilley, Jr.	Equip Maint GFm	OP
John F. Adams	Electrician GFm	OP
Carlos S. Mantovani	Svy Oprg Acnt	SPA
Nicolas Salamine G.	Spvy Elec Engr	OP
Lloyd A. Perkins	Bldgs Mt Gfm	OP
Rene Van Hoorde G.	Supvy Elec Engr	OP
Luis A. Cortes	Twbt Seaman Ldr	SPA
Frank H. Robinson	Svy Hydrologist	OP
Rudolph L. Crespo	Mgmt Svcs Offcr	OP
Julio E. Cordovez	Supvy Architect	OP
Nelson A. Kraemer	Svy Elcn Tech	OP
Robert J. Hauser	Supvy Gen Engr	OP
Collin P. Corrigan	Ind Prod Mgr	OP
Robert L. Webb	Maint Scheduler	SPA
Edwin Farrell	Rigger Gen Fmn	OP
Lawrence M. Drennan III	Gen Engineer	OP
Vicki P. de Mendez	Budget Analyst	OP
Enrique B. Marquez	Gen Engineer	OP
Numan H. Vasquez	Supvy Gen Engr	OP
Robert W. Adams	Supvy Civil Engr	OP
Adriano E. Diaz	Supvy Gen Engr	OP
Joseph Cicero	Bldgs Mt GFm	OP
Carl P. Pugh	Hvy Eq Mech GFmn	OP
Angelina H. Meadows	Clerk Typist	OP

HOUSING RENTALS

SENATOR LAUTENBERG. You project receipts from housing rentals of $1,591 million in fiscal 1989, down from $1,610 million for the current fiscal year. Why are your rental receipts declining?

Answer. Housing rental receipts have decreased over the last several years due essentially to the decline in the number of U. S. citizen employees as a result of the 1977 Torrijos-Carter Treaty. The projected reduction in housing receipts in FY 1989 is principally attributable to a projected attrition rate in the number of U.S. citizen employees occupying Commission housing.

SENATOR LAUTENBERG. How many rental units does the Commission operate and what is the average rent charged? What is the range of rents charged?

Answer. The Panama Canal Commission operates approximately 1,400 rental units. The quality of these units range from substandard to reasonably acceptable units. The newest units were built in early 1970 and the Commission is not expected to build anymore in the future. The average rent charged by the Commission is $260.20 a month and rents range from a low of $70.20 to a high of $592.60 a month.

SENATOR LAUTENBERG. Who, typically, are the tenants of these units and what is their average household income?

Answer. The predominant number occupying Commission housing units are Panama Canal Commission employees, principally U. S. citizens. In addition, there are small numbers of critical-skilled Panamanian and third country national employees, and certain others eligible for housing assignment. Annual compensation for Commission employees eligible to occupy quarters ranges from a low of $8,091.00 for low graded manual and clerical employees to $72,500.00 for Commission executives. When Commission employees terminate, they are required to relinquish their right to Commission housing units. New employees, principally Panamanian, are generally not eligible for quarters assignment. As blocks of quarters become vacant, they are gradually turned over to the Government of Panama as specified in the 1977 Torrijos Carter Treaty.

FINANCIAL CONDITIONS

SENATOR LAUTENBERG. Your statement of financial condition shows unfunded long term liabilities of $269,896 million. Explain for the record what these are.

Answer. The following tabulation provides the detail of the Commission's unfunded long term liabilities in the statement of financial condition.

1.	Cost of Early Retirement	$195.6
2.	Cash relief annuitants	5.5
3.	Employee Repatriation	7.4
4.	Advances from capital and booking system:	
	a. Amortized	50.4
	b. Unexpended	11.1
	Total	$270.0

EXPLANATION OF ABOVE ITEMS:

1. This amount represents the Commission's liability for the unfunded liability of the U.S. Civil Service Retirement Fund which is attributable to benefits payable from that fund to, or on behalf of, employees and their survivors under the early retirement provisions of P.L. 96-70.

2. This is the long-term liability of the Commission for future annuity payments to non-U.S. citizen employees, or their eligible widows, from the predecessor Canal agency who retired prior to October 5, 1958 and who are not covered by the U.S. Civil Retirement System.

3. This is the Commission's long-term liability for the repatriation of all eligible U.S. citizen employees and their families.

4. This is the portion of collections for the capital program in excess of depreciation recoveries which are programmed annually by the Board of Directors including:

a. Collections which have been utilized and are being amortized through depreciation offsets.
b. Collections not yet used, but programmed for future years.

CAPITAL PROGRAM
Tugboat Replacement

SENATOR LAUTENBERG. You are requesting $4.215 million to replace the tugboat Schley. The schedule for tugboat replacements submitted last year indicates that Schley would be replaced in 1990. Why have you advanced the Schley replacement?

Answer. The original towboat replacement schedule provided for the replacement of the TRINIDAD II in FY 1989 and the SCHLEY in FY 1990. Because recent marine inspections revealed the TRINIDAD II to be in better condition than the SCHLEY, it was determined to advance the replacement of the SCHLEY and defer the TRINIDAD II. Both are the same age and tug class.

SENATOR LAUTENBERG. Will the $4.215 million requested cover the full cost of replacing the Schley?

Answer. It is anticipated that the funding requested will be sufficient to cover the full cost of the replacement of the SCHLEY.

SENATOR LAUTENBERG. Please update the replacement schedule on p. 417 of last year's hearing record and add a column for actual and estimated costs.

Answer.

TUGBOAT REPLACEMENT

Name	Placed in Service	Age as of FY 1988	Planned Excess Year	Budget FY	Original Cost	Est. Repl Cost
RODMAN	1966	22	*	1987	$ 679	$3,374
ROUSSEAU	1967	21	1989	1988	735	3,785
SCHLEY	1968	20	1990	1989	745	4,215
TRINIDAD II	1968	20	1991	1990	799	4,825
HARDING	1970	18	1992	1991	798	5,067
MEHAFFEY	1970	18	1993	1992	806	5,525
MORROW	1971	17	1994	1993	879	5,801
WALKER	1977	11	To be reviewed	"	2,414	--
BURGESS	1977	11	"	"	2,502	--
PARFITT	1981	7	"	"	5,031	--
PROGRESO	1981	7	"	"	4,072	--
ALIANZA	1981	7	"	"	3,981	--
AMISTAD	1982	6	"	"	3,934	--
ESPERANZA	1985	3	"	"	2,575	--
PAZ	1986	2	"	"	3,683	--
GUIA	1988	-	"	"	3,597	--
LIDER	1988	-	"	"	3,374	--

In addition to the above, the Commission has two other small tugs which provide floating equipment support for the Commission's dredging program.

*Held in abeyance until further notice due to increased demand for tugboat support caused by the installation of the turntable at the Locks.

LAUNCHES

SENATOR LAUTENBERG. You are requesting $940,000 in fiscal 1989 for replacement of two pilot/boarding launches. Will the requested funds cover the full cost of the two new launches?

Answer. It is anticipated that the funding requested will be sufficient to cover the purchase of two launches in FY 1989.

SENATOR LAUTENBERG. The schedule for launch replacements submitted last year includes only one launch - the COBIA -- for replacement in 1989. What other launch in addition to the Cobia do you plan to replace and why?

Answer. In addition to the launch COBIA, the Commission plans to replace the launch TETRA. These launch procurements will replace older, unserviceable floating equipment necessary for the movement of linehandlers and pilots to/from transiting vessels.

SENATOR LAUTENBERG. Please update the launch replacement schedule on p. 416 of last year's hearing record and add a column for cost.

Answer.

LAUNCHES

Name	Placed in Service	Age as of FY 1988	Planned Excess Year	Budget FY	Estimated Repl Cost
CORBINA	1971	17	1989	1988	$475
REMORA	1968	20	1989	1988	475
COBIA	1969	19	1989	1989	470
TETRA	1978	10	1989	1989	470
CORMORANT	1979	9	1991	1990	494
HAWK	1979	9	1991	1990	494
DARTER	1979	9	1991	1991	514
FRIGATE	1979	9	1991	1991	514
PIKE	1979	9	1991	1991	514
PARROT	1979	9	1993	1992	540
GROUPER	1979	9	1993	1992	540
HERON	1979	9	1993	1993	567
SKATE	1980	8	1993	1993	567
MAKO	1977	11	1995	1994	580
DORADO	1975	13	1995	1994	580
ORCA	1974	14	1995	1995	600
CHUB	1968	20	1995	1995	600
SAILFISH II	1983	5	----	To be reviewed	---
TERN II	1983	5	----	"	---
RAY II	1983	5	----	"	---
FLYING FISH	1983	5	----	"	---
ALBACORA II	1987	1	----	"	---
TRUCHA	1987	1	----	"	---
UMBLA	1987	1	----	"	---
XAREO	1987	1	----	"	---
BOBO II	1975	13	1992	1991	600
BONITO	1982	6	2003	2002	550
CACIQUE	1983	5	1993	1992	45
CANDELA	1986	2	1997	1996	110
CARACARA	1985	3	1996	1995	110
COLIBRI	1984	4	2005	2004	600
COTINGA	1983	5	1993	1992	75
CHAME II	1982	6	2013	2012	600
DIABLO II	1982	6	2013	2012	600
FALCON	1983	5	2004	2003	90
FLAMENCO	1981	7	2002	2001	550
GULL	1980	8	2001	2000	45
HYACINTH III	1981	7	2002	2001	200
JUAN GRANDE	1953	35	1991	1990	550
MACKEREL	1968	20	1994	1993	700
PAPAGALLO*	1976	12	1991	1990	550
PARGO	1982	6	2003	2002	550
PERICO	1985	3	1996	1995	110
PHOTON	1984	4	1995	1994	45
PIRANHA	1974	14	1992	1991	600
POMPANO	1982	6	2003	2002	550
QUAIL	1978	10	1993	1992	500
QUETZAL	1984	4	1994	1993	90
SARGENTO	1985	3	1996	1995	90
SHRIKE	1978	10	2008	2007	350

LAUNCHES (continued)

SKIPJACK	1976	12	1993	1992	500
SNOOK	1970	18	1994	1993	700
SOLAR AGE	1983	5	1993	1992	45
TALINGO	1983	5	1993	1992	45
TINTORERA	1982	6	2003	2002	550
TROGON	1986	2	1997	1996	45
ULUA	1982	6	2003	2002	550

* Built in 1969

MOTOR VEHICLES

SENATOR LAUTENBERG. You are projecting $3.575 million for replacement motor vehicles, including 20 large sedans, 22 compact sedans, 2 station wagons, 95 trucks, and other special purpose vehicles. Provide for the record a replacement schedule for each class of your motor vehicles similar to those provided for tugboats and launches.

Answer.

PANAMA CANAL COMMISSION
MOTOR VEHICLE FLEET
By GSA Reporting Category
May 31, 1988

GSA Category		Actual 1988 Total
	PASSENGER-CARRYING VEHICLES:	
b.	Sedans	180
c.	Station Wagons	8
d.	Ambulances	7
e.	Buses	13
	Total passenger-carrying vehicles	208
	NON-PASSENGER-CARRYING VEHICLES:	
f.	Light trucks (8,500 GVW or under)	464
g.	Light trucks (4x4)	52
h.	Medium trucks (8,501 to 23,999 GVW)	82
i.	Heavy trucks (24,000 GVW or over)	44
	Total non-passenger	642
	Total passenger and non-passenger	850
	ADDITIONAL SPECIAL USE VEHICLES (Firetrucks, wreckers, drill rigs, etc.)	42
	TOTAL VEHICLES	892

Replacement schedule:

The Commission in recent years has yearly replaced approximately 44 passenger carrying and between 70-90 non-passenger-carrying vehicles (depending on size). It is anticipated that the Commission will continue purchases at this level for the foreseeable future while adhering to the replacement standards.

The Panama Canal Commission only replaces motor vehicles which exceed minimum replacement standards as required by CFR 48:101-38.402 or when vehicles are uneconomically repairable as a result of accident, damage, etc. All vehicles being replaced exceed the minimum replacement standards, and a majority of those vehicles far exceed the standard in both age and mileage.

NONDEPARTMENTAL WITNESSES

The following testimonies were received by the Subcommittee on Transportation and Related Agencies for inclusion in the record. The submitted materials relate to the Department of Transportation's fiscal year 1989 budget request.

The subcommittee requested that public witnesses provide written testimony because, given the Senate schedule and the number of subcommittee hearings with Department witnesses, there was not enough time to schedule separate hearings for nondepartmental witnesses.

FEDERAL AVIATION ADMINISTRATION FUNDING

STATEMENT OF THE AIR TRAFFIC CONTROL ASSOCIATION, INC.

INTRODUCTION

ATCA is a professional association of thirty-years standing which has as its goal advancements in the science and profession of air traffic control and aviation safety. Its membership rep- resents all facets of the air traffic control discipline, from air traffic controllers, flight service specialists, and airways facilities maintenance technicians who operate the Nation's air traffic control system, to those who develop and produce the technology which operates the system, to the citizens, government agencies, and airlines who use the system.

ATCA appears before you today to urge the Congress to support the Department of Transportation's Fiscal 1989 Budget Request for the Federal Aviation Administration (FAA), and to ask you to ensure that FAA has adequate funding in order for the Administration to meet tomorrow's air traffic control challenges, as well as today's immediate needs.

FUNDING FOR FAA OPERATIONS

The Administration is requesting $3.4 billion for FAA Operations in FY89 -- a 9.4% increase over the amount appropriated in FY88. This increase will support 900 additional air traffic controllers, 300 aviation inspectors, and 50 additional aviation security personnel. ATCA supports these increases, both in funding and personnel, and urges Congress to appropriate the full amounts requested.

We are experiencing spiraling demands upon our Nation's air transport system. FAA projects that between 1987 and 1999, operations at ATC towered airports will increase from 60.9 to 81.4 million, or 33.5%. During the same period, traffic handled

by ATC centers is projected to increase from 35.8 million to 47.8 million, or 33.5%. Similarly, flight services rendered are forecast to increase from 47.8 million in 1987 to 53.3 million in 1999, an increase of 11.6%. [See, "FAA Aviation Forecasts, Fiscal Year 1988-1999," Report FAA-APO 88-1, February 1988, pp. 95-108.]

If the Nation's air transportation system is to keep pace with the demands of tomorrow's economy, FAA must have the funding necessary to hire and train the people it needs to supply the ATC and other services required by an expanding aviation marketplace. It is time, as FAA Administrator McArtor has so aptly stated, to abandon the misguided notion that FAA "can do more with less," and to recognize that FAA cannot continue to provide the same high quality services in an expanding market with the same or diminished resources.

ATCA supports FAA's proposal to hire recently retired military controllers. These controllers have skills which are valuable and current, and they can be trained for service in the various FAA facilities with substantial economies of time and cost.

FAA has requested a reduction of 192 positions and 100 FTE's from the flight service station specialist work force. ATCA suggests that the FAA respond to industry and GAO concerns regarding FSS staffing and retain the existing specialist work-force during this FY89 appropriation process. In light of last year's congressional mandate requiring Model 1 or Model 1 Full Capacity Automation prior to flight service station consolidation, many of the benefits anticipated to be realized in the short-term, due to increased productivity, may be delayed until at least 1990. As a result, ATCA recommends that the FAA sustain the existing staffing levels during this fiscal year until the automation portion of this critical program is re-established and operational at the remaining 26 FSS locations.

ATCA supports funding in FY89 to continue the Level 1 Contract Tower Program. This is a worthwhile program which brings added

safety to smaller airports which otherwise would not have a tower.

ATCA encourages full funding for 70 logistics support positions to facilitate next year's continuation of contract awards and contract activity. We suggest that the FAA discontinue the trend of reducing positions in procurement and logistics specialist field.

The Association supports the proposed increase to field maintenance personnel to accommodate attrition requirements expected at 14% in 1989. We recommend that FAA evaluate the contract option versus FAA performance of field maintenance functions.

The FAA proposes an increase of 50 positions in direct support of professional staff increases in air traffic, inspection, security, and other areas. ATCA believes that this request should be funded contingent upon, and corresponding to, the proposed increased levels established in each of the categories noted.

FUNDING FOR FAA FACILITIES AND EQUIPMENT

Today FAA is midway through completion of the National Airspace System Plan ("NAS Plan"), a comprehensive capital investment program to replace and modernize the Nation's air traffic control system.

There is no question that the NAS Plan is needed. Commercial and general aviation traffic grows daily, and exponentially. Delays plague our air traffic control system, particularly at peak hours at our busiest airports and in bad weather. Our controller work force is performing a more and more taxing job with an aging, overworked, largely manual system which will not meet the demands of tomorrow's air transportation marketplace. There is no alternative to modernization; we need to get on with

completion of needed improvements with the greatest possible speed.

The Administration has requested $1.6 billion (the full authorized amount) for FAA Facilities and Equipment expenditures in Fiscal Year 1989. ATCA strenuously urges Congress to fund this request in its entirety. In keeping with the Nation's effort to reduce the Federal budget deficit, FAA has in recent years operated in an atmosphere of fiscal austerity. The agency has attempted to keep NAS Plan improvements on schedule despite funding shortfalls by taking some projects off full-funding, reprogramming funds from projects experiencing technical delays to other projects which were proceeding on schedule, and prioritizing program needs. However, although this approach has been successful during the early, largely developmental stages of the NAS Plan, funding flexibility disappears as FAA now reaches implementation on a majority of major projects. To date, fifty-five percent (55%) of NAS Plan projects are in the delivery phase; by the end of fiscal year 1988, eighty-six (86%) of major NAS Plan projects will be under production contract. Any funding shortfalls FAA now experiences in its Equipment account will be translated directly into major project delays -- that is, partial buys and/or deferred implementations.

Moreover, although a significant portion of the NAS Plan work and funding already is behind us, a substantial "bow wave" (approximately $1.7 billion) of deferred funding requirements is already building, which must be incorporated into planned NAS Plan appropriations in future years. For example, although the Administration requested $130 million for Terminal Doppler Weather Radars (TDWR) in FY88, only $9.5 million (less than 10%) of that amount is actually available for expenditure in FY88; the remaining $120 million is projected forward into this year's budget request. Similarly, although the Administration requested $36.2 million for Next Generation Weather Radar (NEXRAD) developments in FY88, only $14 million (38%) is available for

expenditure in FY88, with the remaining $22 million requirement projected forward into FY89 and beyond. Other projects are experiencing similar funding deferrals. Although the Administration requested $32.8 million in FY88 for Remote Maintenance Monitoring (RMM) capability, only $22.4 million (45%) is being used in FY88, with the remaining $10 million requirement being projected into FY89 and future years. The Administration requested $48 million for Microwave Landing System (MLS) in FY88; in fact only $6.6 million (14%) will be spent on MLS in FY88; only $20 million has been requested for FY89.

Moreover, planned funding requirements in future years, in addition to those costs being deferred, are truly substantial. For example, $2.2 billion planned for expenditure during 1982-1992 for the Advanced Automation System (AAS) is only 40% of the program's projected total cost; the $600 million which FAA plans to spend on MLS during 1982-1992 is less than one-half of total projected cost for the system. At the end of FY88 only 36.3% of the $15.8 billion NAS Plan projected total cost will have been appropriated.

This is not to say that Congress should appropriate, nor FAA commit, to expenditures for systems which have not demonstrated technological sufficiency. We must, however, be wary to guard against the complacency of assuming that we can "catch up" on NAS Plan expenditures in future years without significantly delaying the needed benefits associated with modernization. ATCA urges Congress to "hold the line" in FY89, appropriating the full authorized and requested $1.6 billion funding level for FAA Facilities and Equipment.

FUNDING FOR FAA RESEARCH, ENGINEERING AND DEVELOPMENT

The Administration has requested $155 million for FAA Research, Engineering and Development (RE&D) in FY89. This request is $60 million less than the amount authorized in the

Airport and Airway Safety and Capacity Expansion Act of 1987, Public Law 100-223. ATCA urges Congress to appropriate the full $215 million authorized amount for FAA Research, Engineering and Development in FY89.

In addition to projects which support FAA's safety, security, and certification functions, FAA uses a substantial portion of RE&D funds to conduct research which enhances the NAS Plan and anticipates future needs, such as the Automated En Route Air Traffic Control Phase 3 ("AERA 3") and the Advanced Traffic Management System ("ATMS"). These developing software technologies are the tools by which FAA will achieve its most significant ATC economies and safety advances. It is essential that the agency receive resources adequate to proceed apace, so that these concepts will be mature and ready for implementation through the Advanced Automation System when it comes on line in the 1990's, and available to address the needs of the expanded aviation marketplace of the year 2000. ATCA suggests that this is an area in which funding should be accelerated.

The Administration has requested only $13.47 million in RE & D funds for airport capacity research and development. However, in the Airport and Airways Safety and Capacity and Expansion Act of 1987, Congress directed that not less than $25 million per year be appropriated for airport capacity RE & D. The Industry Task Force on Airport Capacity Improvements and Delay Reduction has recommended funding of at least $25 million in FY89 for identified promising and worthwhile capacity RE & D projects. Again, ATCA recommends that this is an area in which funding over and above the Administration's request is appropriate.

FUNDING FOR AIRPORTS

The Administration has recommended $1.2 billion in obligations for Grants-In-Aid for Airports in FY89. This request is $500 million less than the authorized level. ATCA urges Congress to

appropriate the full $1.7 billion authorized amount for Grants-In-Aid for airports in FY89.

While progress is well underway in modernizing and automating our Nation's air traffic control system to meet tomorrow's traffic demands, airport congestion promises to be tomorrow's capacity crisis. The National Council on Public Works Improvements has recommended to President Reagan that capital spending on the Nation's air transport infrastructure, including airports, be increased by 100% over current levels. With $24.3 billion in AIP-eligible projects already identified in the National Plan of Integrated Airport Systems ("NPIAS"), it is clear that the pace of improvement in our Nation's system of airports could, and must, be significantly accelerated. In order for the benefits of NAS Plan improvements to be fully realized, functional groundside capacity must keep pace with the growing capacity of our ATC system to accommodate more aircraft.

ATCA believes that airports are an integral part of our Nation's air transport system, and that airport development is properly of Federal, as well as state and local concern.

PENALTY CLAUSE

The Administration's budget request for FAA proposes suspension of the "penalty clause" in FY89, thereby assuring that fifty percent of the cost of FAA Operations in FY89 will come from the Airport and Airway Trust Fund.

ATCA opposes this proposal. During the process of reauthorizing the Nation's airport and airways programs in 1987, Congress thoroughly reviewed and debated the workings of the 1982 Act's "penalty clause", and made a determination to continue it in the 1987 Act. ATCA believes that the penalty clause serves the intended function of inducing spending on FAA capital accounts, and supports its continuation.

CONCLUSION

In conclusion, while supporting the goal of Federal deficit reduction, ATCA urges Congress to continue to make sufficient funding for FAA Operations and the NAS Plan a special National Priority.

More and more, the public is selecting commercial air transport as its preferred means of travel. Americans are concerned about safety and efficiency in air transportation; they support Federal programs designed to improve our air transport system; and we believe they want user fees and taxes spent today for those purposes.

Thank you for the opportunity to express these views.

89-132 1585

STATEMENT OF THE AIR TRANSPORT ASSOCIATION OF AMERICA

Fiscal Year 1989 Budget Request of the Federal Aviation Administration

The Air Transport Association (ATA), which represents U.S. scheduled air carriers, is pleased to address the Fiscal Year 1989 budget request for FAA and seek the Committee's support for actions that will assure a safe, efficient, and constraint-free airport and airspace system.

Over the years, we in the aviation community have come here to Capitol Hill to ask your support for critical air transportation budget needs. During the past seven years, the primary focus of our efforts has been the Federal Aviation Administration's National Airspace System (NAS) Plan, which, as you know, is a fundamental modernization of the nation's air traffic control system. It is a necessary effort and must, if anything, be accelerated. Our air transportation system has a critical need for immediate capacity enhancement -- enhancement which also improves safety.

We believe the air transportation system is basically sound and safe but requires immediate improvement if it is to stay that way. This view is supported by results of efforts to analyze the system directed by the Administration and the Congress last year. Both the Aviation Safety Commission and Office of Technology Assessment studies have concluded that the system is safe but needs improvement. These improvements include both long-term and nearer term action. There appears to be a consensus that a number of fundamental structural improvements are needed to deal with the problems confronting the FAA. Specifically, we need to better deal with funding requirements, the procurement system, the personnel system, and the tenure of the Administrator. Clearly, modernization of the National Airspace System must also be given priority. But we cannot wait idly for the NAS Plan. A number of near-term solutions must be pursued.

First Priority

The Committee understands that our first priority this year is to ensure that the Advanced Automation System contract is awarded, and done so without any further delay. The AAS is the heart of the entire NAS Plan. However, since it is clear that we cannot afford to wait until the mid-to-late 1990's for AAS implementation, we must direct additional resources and attention on things that can be done in the near term to enhance safety and capacity.

Things to be Done in the Near Term

This Congress has been most helpful in recognizing important safety and capacity improvements for the near term by enacting legislation last year requiring additional air traffic controllers, for the Traffic Alert and Collision Avoidance System (TCAS), requiring automatic altitude reporting transponders in terminal and other controlled airspace, and requiring additional instrument landing systems, Runway Visual Range (RVR) and airborne windshear detection equipment. All of these actions are so important because of the enormous growth projected for air transportation.

The following measures cut across all of the FAA budget functions and we have highlighted them as items which focus on safety, capacity and efficiency.

Staffing and Training

Controller staffing is still a significant problem for FAA. Congress is to be complimented for insisting that the controller workforce be expanded and that Full Performance Level (FPL) controllers be more realistically identified and labeled.

However, FAA has limitations in providing on-the-job training and simultaneously assuring that the system is adequately staffed with qualified FPL controllers to control traffic. It is not sufficient just to hire more controllers. They must receive on-the-job training without causing a drain on current operations. The Secretary of Transportation has already testified that the FAA will not be able to meet the new FPL goals this year.

FAA has had success in using part-time re-employed annuitants to assist facilities in accomplishing on-the-job training, particularly where they are able to use the reemployed annuitants to control traffic, thereby relieving full-time FPL controllers to conduct on-the-job training. This program takes on even more significance because of the continuing training log jam. $10 million should be provided in the FY '89 operating budget to permit FAA to continue the use of re-employed annuitants.

There are also limitations in the current equipment used to provide training to controllers prior to on-the-job training. FAA uses the Radar Training Facility (RTF) in Oklahoma City to provide one phase of the enroute training program. As you know, this phase of training is provided in a synthetic air traffic control area identified as the "Aero Center" and is generic in nature rather than site-specific. Currently, a program termed "site-specific training" is in use for several critically staffed air route traffic control centers such as Los Angeles, Oakland and Chicago. Under the site-specific training program, the trainee is exposed to simulated air traffic conditions at the facility to which he or she will be assigned, thereby making training more realistic and reducing the total required training time. FAA needs approximately $7.5 million in FY '89 operating funds for site-specific training at the RTF.

At the present time, the FAA is augmenting enroute air traffic control training at the centers through the use of contractor training at each site. Training timeframes differ in all FAA facilities due to many factors, including the number of students, equipment, number of positions, and staffing needs. But even more importantly, as part of the NAS Plan modernization activity, the FAA is moving into an advanced automation capability which will introduce entirely new concepts, equipment, man-machine interfaces, techniques, and human performance factors into the air traffic control process. The total enroute air traffic controller population will require retraining to become proficient in the use of new controller aids over the next several years.

We must continue to expand the controller work force to facilitate this most vital and critical retraining. In the meantime, it is important to use the contractor training program to support the training needs for the introduction of the Advanced Automation System.

We strongly recommend that FAA be directed to develop a proficiency training and development plan for new air traffic control systems which utilizes both internal and contractual training capabilities for both enroute and terminal air traffic control options. Contractor training should continue to be used to enhance the training of new controllers. FAA will need about $22 million to continue the current level of effort by the two contractors supporting the FAA training effort.

In a related support area, the Administrator has asked for 200 additional field maintenance personnel for FY '89. FAA should get at least that many, particularly since the agency also forecasts the likelihood of reduced ATC spares inventory. FAA may require approximately $10 million for these personnel. In

addition, the agency is likely to require an additional $15 million to support vital contract maintenance.

Current "Facility Enhancement"

As a result of delays in procuring the Advanced Automation System, FAA is taking steps to provide facility enhancements to assure that the current terminal automation system known as ARTS will last until the new computer technology from the AAS is implemented in the terminals. According to the 1987 NAS Plan, terminal automation using AAS technology will begin in 1996 and be fully implemented in 1999. FAA analyzed its terminal systems and determined that at least seven of its major facilities would not have the capacity to handle the projected growth in traffic between now and then.

FAA, therefore, has been developing an interim support plan principally to improve this terminal environment. It is our understanding FAA will need about $150 million in FY '89 to improve the terminal system and $500 million or more overall during the next several years. We urge you to provide the necessary funds in FY '89 in order for FAA to implement this program of providing immediate enhancements. These enhancements will provide a crucial "bridge" to the advanced automation of the mid-1990's.

The proposed new FAA requirement for automatic altitude reporting transponders, and an NTSB recommendation for VFR Mode C conflict alert in ARTS go hand-in-hand and are prime examples of the need for interim measures to enhance safety and efficiency in the current ATC system while providing the necessary bridge to new services to be provided by the advanced automation system.

Airspace Simulation Models

A national airspace model is needed to provide strategic tools which FAA can use to design and implement changes in the air transportation system. The aviation community has identified the need for a strategic planning tool which can assist in planning the use of the national airspace, and to assure adequate service is provided to the users of the airspace. A model such as this is needed to configure the national airspace and identify the staffing and equipment resources needed to support the configured system.

As an example of the benefits achievable from the use of models, a recent study was conducted at the San Francisco Bay area airports by FAA, Bay area airports staffs, Air Transport Association, and airlines serving the San Francisco Bay area. By using a local simulation model at the FAA Technical Center, the Task Force was able to quantify capacity enhancements and resultant delay reductions anticipated from the enhancements. A conservative estimate of the benefits achievable in the near term (up to 1991) would be for an annual yield of about 100,000 hours of reduced delays at San Francisco airport alone.

A similar study at New York's La Guardia revealed that a simple acquisition of new, state-of-the-art surface detection radar (ASDE-3) would make substantial improvements in delays of that airport.

FAA began last Fall to develop a national airspace system performance analysis capability (NASPAC) with $1.5 million in reprogrammed funds from FY '88. The Administrator considers this part of the Impact '88 program and will need additional funds to continue this important effort. FAA plans to have an initial (short-term) capability available in the Spring of 1988, and a longer term capability completed by Fall of 1988. They have longer term goals to use this modeling tool beyond FY '89. Although it is difficult to determine the exact funding FAA needs in the FY '89 budget at this time, this Committee should direct FAA to continue pursuit of this effort and inform the Committee of funding requirements.

What follows is a discussion of the need for an FY '88 supplemental request. Although this Committee is deliberating the FY '89 budget, it must also hear all of the budget facts concerning FAA, and it is our opinion that to avoid the subject would be a disservice to the Committee, the people of the FAA and the traveling public.

FY 1988 Supplemental Appropriations for Operations

The FY 1988 Operations appropriation was $127 million less than FAA's amended request. In addition, FAA also had to absorb $70 million of additional unfunded costs for pay raises and health insurance premium increases among others.

The Administrator has advised you that he is striving to meet his work force staffing objectives which are deemed by some to be insufficient. FAA is sharply curtailing travel and permanent change of station moves of personnel due to insufficient funds. We are particularly concerned as these actions directly affect the operation of the air traffic control system. In a similar circumstance two years ago, we are confident that there was a direct correlation between these kinds of fiscal constraints and an increase in air traffic delays. This year, considerable time and money was spent training controllers for phase 3 of the Expanded East Coast Plan. This was a necessary and unavoidable expense, but it is likely to mean that many air traffic facilities, particularly those in the FAA's Eastern Region, will be short of money. Having been "burned" once, we do not wish to allow the same thing to happen again.

Operational impact has already resulted. As a specific example, the airlines and FAA recently planned a meeting to work out airline routing problems which were causing delays. FAA was unable to allow air traffic specialists from the two regions involved and the three contiguous air route traffic control centers to participate in this meeting due to insufficient travel funds.

Another kind of impact has a more immediate and direct result. On April 7, 1988, the FAA's Central Flow Control Facility was forced to implement a special flow control program for aircraft destined to Pittsburgh. The program was necessitated, and hundreds of aircraft were delayed, because the ATC supervisors at Pittsburgh did not believe that sufficient overtime funds were available to staff the two required parallel approach monitoring positions dictated by weather and traffic conditions. The situation was eventually corrected by removing two qualified controllers from important assignments training developmental controllers. This incident alone was primarily responsible for degrading systemwide on-time arrival performance for the major hub carrier there from the 80% range to 38.2% on that one day.

We believe the safe and efficient operation of the national air transportation system falls in the category of "dire need" and meets any reasonable test for a supplemental appropriation in the FAA FY 1988 operating budget. We urge this Committee to initiate a supplemental appropriation of $81 million in the FAA operating budget for FY '88. The breakdown of this request is as follows:

- Most importantly, $21 million to provide for overtime and permanent change of station moves for air traffic controllers.
- $5 million to accommodate the about-to-be released Department of Defense controllers which FAA intends to hire.
- $15 million for systems maintenance contract work.

- $10 million for 200 additional maintenance personnel to provide an adequate pipeline of trainees.

- $3 million to augment traffic management through use of the Aircraft Situation Display. Specifically, these funds would be for improved communications between the Central Flow Control Facility, the centers and major terminal approach control facilities.

- $27 million to enhance the radar training facility in Oklahoma to expedite training of controllers.

Some of these items duplicate requests in the FY '89 budget. It is our strong belief that these efforts should not wait for another year.

Operations and Maintenance -- Other Considerations

The overall FAA FY '89 budget request for O&M is $3.445 billion. Given the extraordinary training requirements described above, and other more alarming O&M budget constraints being experienced this fiscal year, we believe additional FY '89 money is required. Severe travel and overtime constraints have already occurred this year. These are described elsewhere in this statement, but it is clear we cannot fail to act now to prevent their reoccurrence next fiscal year.

It is our belief that the Administration's proposed raid on the Airport and Airway Trust Fund for O&M money must not be allowed. Last year's reauthorization of the Trust Fund reaffirmed its sole purpose as the primary source of capital funds for the nation's airports and air traffic control system. To allow any more of an O&M subsidy from the Trust Fund would be to defraud the trust of the traveling public that pays for it.

We believe the FY '89 O&M budget specifically will require $66.5 million to continue or enhance the Reemployed Annuitant Program, Site-Specific Radar Training, Contract Training, and Academy Enhancement Program.

In a related matter, we support the expected infusion of some 600 Department of Defense controllers during the next year but we are concerned that it does not disrupt the vital longer term controller pipeline. Specifically, any DOD controllers acquired this fiscal year should be over and above the 15,900 previously authorized. These additional controllers should be considered as early arrivals from the FY '89 requested controller workforce of 16,800. It is probably too early to tell whether they will be needed on top of the FY '89 level of 16,800, but we urge that this option remain open right now. This could require as much as an additional $25 million in the FY '89 O&M account.

Facilities and Equipment

The FY '89 request for F&E is barely sufficient; still about $100 million less than authorized by the Airport and Airway Safety and Capacity Expansion Act of 1987 (the 1987 Act).

In order to accommodate the $1.2 billion cumulative shortfall in appropriations compared to authorizations in the FY '83 - '88 period, FAA has been forced to further reduce budget requests for many projects and has stretched out schedules, causing delays in these and other related projects. All of these delays will simply create the need for even higher funding levels in the outyears of the modernization effort.

FAA is still in the process of making adjustments to its F&E program to accommodate the $242 million shortfall from the Administration's request in the FY '88 appropriation. These adjustments principally involve slipping all or part of certain pro-

grams into FY '89 and '90. For example, Terminal Doppler Weather Radar was to be fully funded in FY '88 but now must be partially slipped into FY '89 and the bulk of its money must be requested for FY '90. Slippages of this magnitude, hundreds of millions of dollars, will create a theoretical FY '90 funding request greater than the authorization for that year. Other vital programs and amounts slipped in FY '88 include:

Next Generation Weather Radar	($ 6 million)
Airport Surveillance Radar	($12 Million)
Automated Weather Observation System	($32 million)
Navigation Facilities	($32 million)
Voice Switching and Communication System	($17 million)
	($99 million)

As the Committee can see, a rather significant "balloon" of deferred spending has been created in the F&E account. As more and more projects are deferred this balloon will only grow, forcing even tougher budget and program decisions in the future. Realistic or not, what FAA <u>really</u> needs for FY '89 is an F&E appropriation of $2 billion.

As an additional F&E matter, the Committee is aware that current law requires a minimum of $30 million in FY '89 funding to be allocated for ILS's. Attached is a current list of specific sites where the installation or upgrading of ILS equipment provides additional safety or capacity benefits to the traveling public. (Attachment A)

Research, Engineering & Development

The FAA's R,E&D budget account has suffered many of the same instabilities as the F&E account. The FY '89 request for $155 million is not sufficient to support the NAS Plan projects and conduct the vital longer term work to transition from the NAS Plan to more advanced technology. General safety and airport capacity R,E,&D efforts also need greater funding.

Congress authorized $215 million for R,E,&D in FY '89. There is no question but that the $60 million difference between the request and authorization is ill-timed. The total shortfall for FY '88 - '89 in this account will be more than $100 million. At last year's appropriations hearings, we identified more than 25 important R,E,&D programs which had already been slowed because of insufficient funding.

The R,E&D account is now pushing its own "balloon." These continuing funding shortfalls in the safety and capacity research areas will only "short-change" our own future.

Airport Capacity R&D

Given the tremendous capacity requirements of the air transportation system both for the near and far-term, airport capacity R,E&D should be given a much higher priority than it has in recent years. Congress recognized this philosophy in the 1987 reauthorization when it established a minimum authorization of $25 million per year for airport capacity research for fiscal years 1988, 1989 and 1990.

For FY '87 only $5 million was appropriated. During FY '88, $15 million was allocated for projects directly related to airport capacity. It is our hope that Congress will see that a more substantial investment, in the range of $25 million, is made in FY '89 for airport capacity research. One program, already underway, should be singled out for timely completion and translation into operation. That is the Quick-Scan Airport Surveillance Systems now being tested at Raleigh-Durham and Memphis. These two R&D examples should be upgraded to permanent operational status as soon as the hopefully successful demonstration phase is complete. Congress should appropriate enough money to ensure

that both the demonstration and operational upgrades are completed. Instrument Flight Rules (IFR) capacity at these two airports could be increased by more than 40 percent using these new systems.

Human Factors Program Funding Needs

There is a safety-related need for FAA to rebuild its human factors program after years of inattention. Recognizing the practical necessity of doing this gradually, FAA should be provided additional funds to bring the human factors level to $8.5 million in FY 1989, including $2.0 million for the newly established controller human factors effort and $2.0 million from O&M funds for the Aviation Safety Reporting System (ASRS). While this is an increase of only $2.5 million in FY 1989, additional increases will be needed in future year budgets. Taken in concert with coordinated NASA and industry efforts, these FAA expenditures will enhance aviation safety.

It should also be noted that the rebuilding requires additional staff skilled in human factors disciplines in order properly manage the expenditures during out years. While such staff shortages are modest when compared with controller staffing issues, if not identified and corrected, the situation will continue to preclude effective FAA products in this important safety effort.

Airport Improvement Program (AIP)

The 1987 Act which reauthorized the Airport and Airway Trust Fund established an AIP authorization level of $1.7 billion for FY '89. The Administration's budget request for AIP amounts to $1.2 billion, a shortfall of $500 million. That half-billion dollar shortfall is the equivalent of six brand-new 10,000 foot, fully instrumented air carrier runways at major airports around the country that won't be built. The 450 million passengers who flew on our airlines last year understand the tough budget decisions that must be made given the huge federal deficit. However, the Airport Improvement Program already has a project application backlog of more than $3.5 billion. If this country is ever going to catch up with capacity requirements, we must, at a minimum, appropriate funds to match authorized levels.

Concluding and Summary Comments

Bureaucratic delays must be overcome not only for modernization and future technology implementation, but for short-term operational improvement. The cumbersome procurement process has kept ILS's on the shelves of the manufacturers instead of on important runways around the country. The new host computer being installed at facilities around the country is a capable, reliable piece of hardware, but it is still a 1980-vintage design.

Optimistically, the software and workstations for the new advanced automation system will not even begin to be delivered until 1993. Software development is again being delayed by competition and testing on simulated versions that will have to be reconfigured and revised by the ultimate winner on the basis of sitting down with the user and resolving real-life man-machine and operational interfaces. This practice is again causing obsolescence, extra cost and delay.

We don't mean to imply that all our problems are bureaucratic or economic. As a community, we must take up the challenge of eliminating wherever possible those obstacles to technology implementation. There will always be certain real-world constraints like cost and real technical uncertainty, but let's find a way to clean up the rest of the process. Sometimes people overcome the system and make it work. But there comes a time when the system itself needs to be fixed. That is why it has been proposed that we fix the difficulties with the way FAA

must do business - specifically to assure: that the funding stream goes for a safe, efficient air transportation system; a personnel system that will permit incentives and flexibility; a procurement system that will permit more timely acquisition of modern equipment; and a tenure of the Administrator that will ensure continuity of management. That concludes our statement for the record. We will be pleased to respond to any questions the Committee might have.

[ATTACHMENT A]

ILS Priority Funding List

The following list provides specific sites across the country which would benefit from the installation or upgrading of ILS equipment. In some cases, these sites refer to new runways currently or soon-to-be under construction. In all cases, reference to "ILS equipment" is taken to mean not just the localizer and glideslope equipment, but all associated lighting systems required to use the ILS.

ATLANTA 8L	INDIANAPOLIS 4R*, 22L*
NASHVILLE 2L, 3*, 21*	KANSAS CITY 1
BOSTON 4L, 22R	ORLANDO 17*, 35*
CLEVELAND 10L	MIAMI 9L, 30
CINCINNATI 18*, 36*	O'HARE 4R, 9R, 32L, 14L
DETROIT 3L	PORTLAND, OR 28L, 28R
NEWARK 4L	PITTSBURGH 10R
HOUSTON - HOBBY 4	RALEIGH/DURHAM 5R, 23L
DULLES 1L	SALT LAKE CITY 34L, 34R
HOUSTON - INTERCONTINENTAL 27	ST. LOUIS 12L

*New Runway

Aircraft Owners and Pilots Association

Statement of John L. Baker, President

I am John Baker, President of the Aircraft Owners and Pilots Association (AOPA). We have carefully reviewed the fiscal year 1989 appropriations request for the Federal Aviation Administration. Overall, we believe the increased funding requests are justified; however, we recognize that many of the priorities and funding levels for programs such as MLS, FSS and AAS must be changed to reflect the users' actual needs. Our major areas of concern are insufficient funding for airport development and capacity enhancement; NAS Plan programs that are being grossly mismanaged; and staffing levels across the agency in air traffic control, maintenance, and flight service stations that are far below the levels necessary to provide adequate service.

AOPA represents the national aviation interests of 264,000 aircraft owners and pilots who fly general aviation aircraft for business and personal transportation. General aviation is a true cross-section of the aviation community and, as the operator of 98 percent of all registered civil aircraft, is a major beneficiary of safety improvements. We are committed to achieving the safest possible airspace system with capacity and access for all users. We believe the system must be designed and based on the legitimate needs of the user and not for the convenience of the FAA managers operating the system.

GENERAL AVIATION SAFETY

Mr. Chairman, it is important to note that recently released NTSB preliminary accident data for 1987 documents the fifth consecutive year in a thirty-year span of declining general aviation accident rates. In fact, the total number of general aviation accidents is the lowest reported since 1939, the year AOPA was founded. In addition, the accident rates per 100,000 hours for fatal accidents and fatalities are at the lowest levels ever recorded by the federal government.

Since 1939, the general aviation accident rate per 100,000 hours has plummeted from 126 to 8.25, and the fatal rate has declined more than 820% from 12 to 1.45. Clearly general aviation flight operations are safer today than at any time in history, and the trend is continuing.

APPROPRIATIONS OVERVIEW

Mr. Chairman, the Administration's FY 1989 appropriations request is unbalanced and is an interesting study in contrast and contradictions. In air traffic control-related areas, DOT/FAA, with the exception of FSS staffing, has finally addressed the need to increase staffing in order to meet current and future traffic demands. Nearly all of FAA's requested 13% increase is directed toward adequately staffing and modernizing the nation's airspace system.

We believe the Administration, in submitting its ATC-related appropriations request, has finally come to its senses and recognized that its attempt to cope with the operational impacts of deregulation "on the cheap" have failed. The Administration's past intransigence on increasing controller staffing and training, coupled with system redesign, procurement lags and a growth in controlled airspace has constrained air transportation capacity with disastrous impact on our economy and pride in a once-unparalleled level of air transportation efficiency.

FAA's proposed $150 million interim transition plan for support of beleaguered NAS programs is, unfortunately, an admission that the NAS Plan has derailed. The interim plan has not been assessed for cost effectiveness or safety benefits and may in many ways be a funding request for the controversial 88-2 airspace proposal implementation. We suggest close scrutiny of FAA's plan objectives and goals as the proposal is developed.

In the ten years since deregulation of the airlines, the ATC workforce has approached only 95% of pre-strike levels during a period when ATC-controlled instrument flight operations have increased 33%, the number of passengers carried has risen nearly 60% and controlled airspace has expanded dramatically. Current FAA forecasts predict that growth rates in the second decade after deregulation will be almost identical to those experienced in the first decade. Clearly, FAA must acquire and train the staff as well as procure the new-technology equipment required to service a dynamic and rapidly growing aviation industry. This, coupled with ATC system redesign that reflects actual user needs, abilities and priorities will place the system on the road to recovery.

However, in contrast, this appropriations request also lacks integrity and insight on airports funding and the essential development of the nation's landing facility infrastructure. On April 14, 1988, FAA announced plans to "drop its active Airport Capacity Office and assign its functions a subordinate role in a think-tank-type operations research office." The Administration must suffer from political dyslexia if they sincerely believe an initiative to disband concentrated focus on capacity solutions is necessary or favored by the public.

With the sole exception of DOT, it is abundantly clear to everyone in the industry that our nation's airports infrastructure must be expanded to serve increased demand. Since its inception, this Administration has engaged in ostrich-like behavior, maintaining that local communities must take the individual, but somehow complementary, collective action, to fund and implement an integrated system of national airports serving national transportation needs. The national transportation systems that preceded aviation, the railroad, canals and interstate highway systems were not and could not have been built with such an arcane policy--and a national airport system efficiently linking major metropolitan areas, both to themselves and to outlying, less populated communities, certainly will not be either.

As a final perspective on the overall policy initiatives in the appropriations request, we are in vehement disagreement with the Administration's view that "transportation users should pay the full cost of the transportation benefits they receive." This politically crafted statement insults the public's intelligence and ignores the public benefit of aviation transportation.

It fails to recognize the benefits that accrue to non-travellers in the general public from job creation, tax-base enhancement, funds for public works projects and schools, as well as the concession and service revenues from serving both pilots and passengers in air transportation. Clearly, the non-traveller benefits. The alternative, full user pay, would imply that only pilots and passengers should be permitted to own companies or be employed in jobs related to aviation. Such a concept ignores the demands of a democracy and lacks economic integrity as well as common sense. A number of public benefit studies clearly support the current 30% of total funds for aviation coming from general revenues, and industry-proposed legislation supporting an independent FAA cites the need to maintain the 70%/30% user/public funding proportions. This sharing of benefits and expense must be maintained by the Congress upholding existing penalty and trigger-tax mechanisms.

TRUST FUND PROGRAMS

In late 1987, the Congress authorized $3.65 billion in expenditures from the Airport and Airway Trust Fund for FAA in FY 1989, yet the Administration's request is for only $2.95 billion. The Administration has proposed reducing expenditures of user-contributed, "on deposit" dollars by $500 million in airport improvement funding to build additional capacity; $140 million in facilities and equipment to modernize the air traffic control system; and $50 million in research and development for future technology needs.

In place of funding these programs for capacity and modernization, the Administration is requesting nearly $3.5 billion in FAA operations funds. Placed in context, this request is revealing. The Administration is requesting more funding for management and administration than for capital

investment in capacity development, modernized equipment, and research. We believe these priorities are reversed. Other than the funds for additional controller staffing, this planned operations spending offers little prospect for improving the performance of the airspace system.

Embedded in the $3.5 billion operations request is a near doubling of the contribution from the user-tax-funded trust fund from $800 million to $1.5 billion. This raid on the trust fund, which was intended to be a capital development savings account is unconscionable. The Congress must uphold its trust fund penalty provision limiting disbursements for operations and deny the Administration's request to "waive" the limits on trust fund disbursements.

AIRPORT IMPROVEMENT PROGRAM

There are an estimated $4 billion in backlogged grant requests to fund airport development. There are also nearly $7 billion of uncommitted user taxes "on deposit" in the trust fund. While it is necessary to spend much of the trust fund on new NAS plan equipment, the Administration has proposed to spend only $1.6 billion on equipment, and most of those funds will be replaced by FY 89 tax contributions flowing into the fund.

In addition, the congressionally mandated National Plan of Integrated Airport Systems (NPIAS) has identified an annual need of almost $2.5 billion for the next ten years to fund development at only 3,000 of the nation's nearly 6,000 public-use landing facilities. With user tax dollars on deposit and federally identified grant requests on file, what can be the excuse for an Administration request in AIP airport development funds below both the congressionally authorized level and the FAA specified need? The requested level of only $1.2 billion completely ignores the realities of current system congestion, delays and denied service.

Reportedly, DOT has cut the AIP request by $500 million from $1.7 to $1.2 billion because they were "unhappy with the amounts appropriated for AIP last year." Unfortunately, this kind of political gamesmanship invites a solution of place-naming $1.7 billion of airport improvements in legislation.

Lately, FAA has proposed that the grant entitlement formula be changed to allocate more funds to capacity enhancement through increased funding for relievers. This would be accomplished by reducing commercial service entitlements from 49.5% to 40%. We support this proposal because many commercial-service airports can be fully self-supporting as a result of revenue from parking, concessions and other fees, while reliever airports do not yet have the same revenue development potential.

The practical result of our current apportionment formula is paradoxical. When a commercial-service hub is proposed for establishment, it is recognized that hubbing, by its nature, raises the enplanement count dramatically and, therefore, qualifies an airport for millions in entitlement funds. This results in automatically sponsoring the strangulation of capacity in the airspace system since hubs are economically efficient for the airlines but an efficiency disaster for the ATC system by causing peaks in traffic demand and surges in capacity consumption. We believe the hubbing phenomenon has proceeded far enough, and it is time to limit subsidies that aggravate the capacity and access shortages confronting pilots and passengers at large urban airports. Until our capacity problems are solved, all trust fund expenditures should be limited to airside improvement of runways and operating areas. Once again, this is an area where current priorities are not in line with the needs of the system as it evolves under deregulation.

FACILITIES AND EQUIPMENT

The Administration has requested $1.6 billion to purchase equipment for the ongoing national airspace modernization. This is an increase of $500 million for 1988 and mirrors the $500 million reduction requested in AIP funding. While we support modernization of the air traffic system, FAA has proposed the acquisition of some equipment such as MLS that is vigorously opposed by the

user community and is under severe questioning by GAO and this Committee. We believe the Administration will not be able to spend the additional $500 million in FY 1989 and that even if it could, some of the equipment, such as MLS, should not be purchased.

Our position is that the difference between the FY 89 appropriated F&E level and the congressionally authorized F&E level of $1.73 billion should be transferred to the FY 1989 AIP appropriations and added directly to the planned appropriation level.

If the users are not going to receive the modernized air traffic equipment needed in FY 1989 due to NAS program delays, then available trust fund deposits should be immediately applied to the backlog of requests for airport development. In addition, the Congress must enforce the 50% limit on trust fund transfers for operations when the lower F&E, as well as AIP appropriations, are enacted.

There are specific F&E expenditures on NAS Plan programs that FAA has managed well. The deployment of new HOST computers, a rededication to ILS installations and the emerging ASR-9 radar replacement have all proceeded well, and FAA deserves recognition for these successful programs. However, there are some NAS programs that continue to be mismanaged and appear to have a life of their own as they wander through the implementation process.

Flight Service Stations (FSS)

This initiative provides the best example of the FAA's inability to develop and implement a relatively modest single program. The theory behind this program was to provide pilots with better pre- and in-flight weather and operational services through automation. A subset of this was to have been a significant cost savings afforded by consolidating 320 manual flight service stations (FSS) into 61 automated flight service stations (AFSS). The consolidation was to have led to the release of 25 percent of total FSS personnel by 1990 due to efficiencies gained.

The automation of the FSS system is now years behind schedule, and the transition to the AFSS system is littered with broken promises, inadequate performance, abandoned elements of the program, and personnel mismanagement. A program that started out with such lofty ambitions has turned out to be a monument to poor management and inefficiency.

FAA continues to willfully disregard both user and congressional direction in the AFSS program. With congressional leadership, the FAA appears to understand that no further station closings or consolidations can occur until Model 1 automation is available. AOPA has fought long and hard for this provision, and it appears to have the necessary effect of assuring automated services prior to station closings.

However, FAA has developed management practices that dilute the effect of congressional FSS directives. As GAO noted in their recent study, FAA decimation of the FSS specialist staff has degraded service and caused the part-time operation of existing facilities. The current plague of part-timing is caused by FAA's not replacing retiring employees, not providing coverage during vacation or other absences, and by transferring critical employees to start up AFSS facilities.

As AFSSs were to be brought on line, flight service specialists were to be slowly released, commensurate with productivity gains. Although the consolidation of FSSs has been delayed for years, the drawdown of personnel has proceeded as scheduled. As a result, there are severe staffing shortfalls in every FAA region, resulting in some 70 of the existing 200 being placed on an "emergency" part-time basis. This has denied users critical information during hours of darkness and in inclement weather. A minimum of 280 additional specialists are required to bring staffing levels back to an acceptable level.

Congress should recognize the GAO report and reject FAA attempts to further reduce staffing in FY 1989. In addition, we believe Congress should further direct that FAA may not reduce staff or hours of operation at existing FSS facilities until an automated FSS with Model 1 or better service is operational in the former FSS service area. This specific direction is necessary since FAA's program managers are not committed to service preservation during the automation process.

Microwave Landing System (MLS)

FAA has recently embarked on a program to "sell the benefits" of MLS. While FAA has made statements that MLS is the desired precision landing aid for the future, nothing could be further from reality. We at AOPA have consistently opposed MLS because it offers only unproven benefits in most locations where ILS is currently installed. ATA and Boeing both have stated opposition to the current MLS plan. The fact is that the users see no broad advantages to MLS that would justify abandoning ILS and investing in MLS. Fortunately, international opposition to MLS is also increasing.

MLS should only be installed in specific geographic areas where ILS will not operate and where required by international treaty. The current production contract for 178 units is more than adequate to meet the users' needs, and no further funds should be appropriated for the MLS program.

FAA has requested $20 million in FY 1989 for MLS and only $10 million for a limited program of ILS installation. Since FAA has contracted for a sufficient number of MLS units, no funds should be spent on further deploying the technology at sites where ILS can provide service. In addition, the $20 million requested for MLS in FY 1989 should be directed for funding the installation of existing technology landing aids ranging from ILS through NDBs, including additional support for Loran C approaches. Reprogramming the requested $20 million for MLS would bring the appropriated level for precision approach aids to $30 million, which is the level previously authorized for FY 89 by Congress.

Advanced Automation System (AAS)

As with the FSS and MLS programs, we believe our long-held views on FAA management of the AAS program have been affirmed by GAO's recent testimony. It is abundantly clear that FAA has been blindly managing to a predetermined set of objectives and disregarding alternatives or efficiencies as they developed during the program's evolution. This management inclination is a continuing problem at FAA, and Congress will have to use its influence to press for consideration of more cost-effective alternatives.

We feel confident that a more modest consolidation on an area or regional basis would offer most of the benefits at a lower cost. We believe FAA should be required to respond to this Committee on the questions raised by the GAO study before proceeding with the contract award scheduled for this summer.

RESEARCH, ENGINEERING AND DEVELOPMENT (RE&D)

During an era when the technology challenges facing FAA are accelerating and the stakes for the deployment of technology are at their peak, the Administration has requested $155 million in RE&D funds compared to a 1988 appropriation of $153 million and a congressionally authorized level of $215 million. With its request, the FAA is essentially ignoring its responsibilities to develop prototype navigation, weather, noise reduction and capacity technologies. Of the requested funds, ATC- and TCAS-related RE&D represent 78% of the expenditures, leaving only 22% for equally critical needs. We know that FAA requested many "millions" of dollars more in RE&D funds, reflecting the will of Congress, but OMB chopped the request to $155 million for mere budget reasons.

Weather Programs

Deterioration of weather services continues in spite of the NAS Plan (NASP) objectives designed to improve weather services, products and availability. Disregarding specific congressional guidance, the FAA has reduced weather information outlets, such as flight service stations.

In the U.S., weather has been cited as a cause or primary factor in four of every ten fatal accidents and two of every ten nonfatal accidents in general aviation for a number of years. The aviation accident rate could be substantially improved if accurate and timely weather information were more readily available for both preflight planning and inflight decisions. In addition to these safety considerations, weather is the single largest contributor to delays, comprising nearly 60 percent of all delays in the ATC system. It is important to focus on what we perceive to be the continued systematic erosion of weather services for all aviation users and FAA's failure to embrace available new technologies as two of the most devastating deficiencies in the National Airspace System.

Through various working groups the industry has agreed that real-time weather dissemination has become a most critical problem. The lack of weather information not only impacts our safety numbers but has significant impact on system efficiency and capacity. Every year system delays increase as a result of weather phenomena. This fact is alarming, especially since the FAA has already implemented some of its greatly espoused weather improvement programs.

We have not seen that FAA or NWS have developed (either independently or cooperatively) an integrated network of weather services, nor do we see that either agency has a clear directive supported by single-minded dedication to the mission. Users have been guaranteed "equal or better" service, but the FAA has redefined the level of "equal" to a standard way below thresholds previously accepted by industry, and as a result there is reduced user confidence in these vital weather programs--so much so that users are at the point where any change in the system is sometimes considered better than the poor service previously provided. In the past 24 months, the FAA and NWS have reduced the integrity of over 100 aviation weather facilities.

These examples are demonstrative of the ongoing battle between FAA and NWS on the issue of aviation weather. The FAA's philosophy of late has been, "We're getting out of the weather business," while the NWS philosophy is, "We're not in the specialized business of aviation weather." It's about time for these two organizations to agree upon a mission and work together with input from users to achieve common objectives. Clearly, FAA should take the lead in aviation.

Weather Radar

There is no doubt that advanced weather radar will improve airspace system safety and provide enhanced significant weather information to system users. It will detect weather hazards such as wind and gust fronts, turbulence, mesocyclones, tornadoes, and icing conditions. However, this program needs more emphasis and final proof of its wide-ranging benefits.

The low-level wind shear advisory system (LLWAS) has demonstrated limitations. Enhancement will not permit it to satisfy the wind shear/microburst need. We should not let the FAA commit "good money after bad" for additional research and enhancement of LLWAS.

Other Programs

System capacity problems have reached the critical point for many of our major metropolitan areas. Yet only a fraction of the RE&D budget is earmarked for capacity improvement and delay reduction. Research requirements for converging and parallel instrument approaches, improved terminal sensors, and reduced longitudinal separation have been recognized for years as areas where real capacity gains may be realized. However, the FAA office which was

assigned these responsibilities was proposed for reorganization and subordination by DOT.

Human factors research has always been a poor stepchild of FAA research efforts. Most of this effort has been handed over to the National Aeronautics and Space Administration, but their efforts may not be focused adequately in real-world aviation needs, particularly in general aviation. Cockpit displays, operational efficiency, training methods and pilot stress are areas where safety and efficiency gains can be made. Only $5 million for this type of work is included in the FY 1989 budget.

Perhaps the greatest long-term research needs are for future systems definition. Satellite systems promise great improvements for all forms of aviation in terms of communication, navigation and surveillance. Recent U.S. and international efforts have clearly identified these benefits and developed conceptual plans for implementing these systems. Much work must be done in basic research to bring these concepts to maturity, yet only 5 percent of the RE&D budget has been allocated to this essential activity.

For some time we have been concerned that the FAA has not examined the rapidly approaching satellite revolution in aviation. Just within the past year, the international community has made quite clear its intention to proceed rapidly with satellite technology for aviation, so we must rapidly address this issue if we are to gain the maximum benefit from the technology. More importantly, the interaction between satellite systems and the existing NASP programs must be carefully examined to ensure that they are not overcome by superior technology.

Many other areas of RE&D have not received sufficient attention or funding in the upcoming budget. These include:

- Low-altitude communications and surveillance needs
- Automated traffic management systems
- Airport surface traffic surveillance and conflict alert
- Airport surface safety projects
- Flight safety

In all, we feel that the Administration has underfunded the RE&D budget by at least $25 million and perhaps by as much as $60 million. We urge you to task the Administration with providing a more aggressive and realistic FAA RE&D program for the future.

Additional funding should not be a problem since all RE&D programs are funded wholly from the Aviation Trust Fund (ATF), which at the end of FY 1987 had an accumulated balance of almost $10 billion. Since this fund is entirely user-funded, it should be used to their benefit by providing adequate RE&D.

RE&D Management

RE&D in the FAA suffers from a lack of centralized direction and oversight. The effort is treated as a loose collection of programs that is only examined as a single entity once a year at budget time. The RE&D effort is a diverse and complicated collection of near-term and future projects that are often closely interrelated and which should be managed as such and not be just another annual budget item.

The Development and Logistics branch of the FAA has the greatest single interest in the RE&D projects but is certainly not the only such office. All operating branches and some staff branches have significant amounts of RE&D requirements that suffer from the lack of a central coordinating office. The current fragmentation of these efforts has created inefficiencies in the overall effort. While we are not encouraged by the DOT-proposed FAA

reorganization, it may address such a coordinating and management effort. Regardless, rapid action should be taken to examine this problem and devise a solution.

OPERATIONS

While we support the long overdue request for additional controllers and the Administration's acceptance of the long-advocated hiring of recently retired military controllers, we are dismayed that the Administration has repeatedly disregarded congressional directives to develop the controller workforce. Most recently, DOT has requested a waiver from the congressional staffing requirement and, in years past, has dodged this issue by acting confused about whether the congressional mandates meant controllers or FPLs and has also, when necessary, redefined what a controller is or is not.

As GAO reported, FAA has employed similar tactics to irresponsibly decimate its maintenance workforce prior to achieving NAS Program equipment efficiencies and its flight service station workforce prior to AFSS Model 1 commissioning.

We welcome FAA's request to increase controller, inspector and maintenance technician staffing. However, there is no proposal to include flight service station staffing in the remedy. In fact, FAA has proposed a reduction of 100 positions in 1989. As stated previously, we believe this staffing area deserves similar restoration for identical reasons that are associated with NAS Plan modernization delays. We recommend that the appropriations bill contain a requirement that the funding for the Office of the Secretary be reduced by 5% if FAA-requested staff and GAO-recommended flight service station staff preservation is not achieved.

In its operations proposal, FAA has requested $1.4 million for installing 17 MLS receivers in its flight inspection aircraft. What FAA really needs is some new flight inspection aircraft without MLS receivers. These funds should be directed to placing FAA's replacement aircraft on flight status as soon as possible and to pay for the flight crew and aircraft overtime necessary to catch up on delayed flight inspection of instrument approaches.

Of the nearly 3,000 controller trainees that FAA will bring into its training program, nearly 40% will wash out of the program before completion. In addition, 15-30% will leave FAA after a short time once they are trained and sent to their operational sites. Clearly, this turnover rate is wasting the government's and the taxpayers' money. We are strongly supportive of recently announced FAA initiatives in the Human Resource and Training areas and hope this Committee will place a high priority on monitoring FAA's ability to hire and train on a cost-effective basis.

The headquarters budget for FAA proposes a $250,000 addition for 13 FTEs in the Chief Counsel's office to process an increasing enforcement caseload. These funds could be much better spent in the flight standards division in an educational or monitoring process that would decrease the future enforcement caseload by assuring greater compliance with existing regulations. We believe much of the "increasing" caseload would be generated by the 13 new employees. The focus of FAA's efforts should be on improving future compliance through explanation of regulatory standards and development of industry compliance programs.

NATIONAL AVIATION POLICY

The causes of today's problems stem from the lack of a coherent national aviation policy. That is what the DOT should have been developing in partnership with FAA over the last 20 years, and most particularly since 1976. Yet today we still lack a blueprint for aviation similar to the policy initiatives in the 1950s that led to development of the interstate highway system. DOT has demonstrated a long history of missed opportunities. By far the greatest opportunity lost has been its failure to perform a vital function of its mission. Since the advent of deregulation in 1978, the nation has

needed more than ever before a national plan for the future of our changing aviation system—it has never been developed.

The resolution of this national crisis requires both leadership and a national aviation policy. When our nation's county and state highways became mired in gridlock from the benefits offered by personal auto travel and commercial trucking, our nation made a policy decision and national commitment to build an interstate highway system that provides demanded capacity, access and efficiency to support economic prosperity.

When our nation faced the setbacks in the space transportation system from the Challenger shuttle loss, we made a policy decision and national commitment to a national space policy that builds future access and payload volume efficiency in space to meet our commercial and national security demands.

Between these two existing national policies supporting the goals, objectives and priorities for surface and space transportation systems are the void and decay evidenced by the lack of a national aviation policy.

Aviation must rejoin the ranks of progressive national transportation systems and experience a rejuvenated commitment to capacity and safety. A national aviation policy, coupled with leadership from the White House, can redirect our air transportation system and transform it from a source of ridicule and embarrassment to an example of economic progressiveness and commitment to full access and equality for all participants.

AOPA believes the time has come to set our sights on the future, not be distracted by the past, and chart a clear course for aviation in the United States. The national economic lifeblood depends on aviation in all its forms. A national aviation policy must finally be recognized and raised to the level of national debate on its overall merit.

The users of the system are paying their fair share and are demanding that system improvements be funded and implemented promptly. Government holds the purse strings and sets the national policy that will utlimately determine whether our air transportation system is forced to sit and wait at the gate or be improved as the nation requires.

SUMMARY

Our national airspace is suffering from capacity constraints, inadequate service and periods of denied access to all users. The nation's pride in a once-unparalleled level of transportation efficiency has severely eroded. We believe the solution to our problems will only be found when we as a nation debate and establish a national aviation policy that permits us to reference all our priority decisions against established goals and objectives. Our current set of cyclical, ad hoc decision making has not produced a system any of us believe is adequate.

The Administration's budget has a few bright spots, but overall it fails the test of establishing the proper priorities. The DOT/FAA request contains more for FAA administration than it does for airport development, ATC equipment modernization and capacity enhancement. It is exceptionally lean on research and development programs to find solutions for pressing problems and is overly generous in offering the users new ATC and navigation technology that is unproven, unwarranted and undeserving of public support. Many of the appropriation priorities requested need significant revision ranging from outright rejection to directed funding that doubles or triples a meager Administration effort in areas of critical user need.

We have outlined the areas that need critical attention by the Committee and hope you will closely scrutinize FAA's progress on the rebuilding of our national aviation infrastructure.

AIRPORT OPERATORS COUNCIL INTERNATIONAL

STATEMENT OF ROBERT J. AARONSON, DIRECTOR OF AVIATION FOR THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY, AND CHAIRMAN OF THE AIRPORT OPERATORS COUNCIL INTERNATIONAL

I am Robert J. Aaronson, Director of Aviation for the Port Authority of New York and New Jersey, and Chairman of the Airport Operators Council International. AOCI represents the governmental bodies that own and operate the principal commercial airports throughout the world. Our U.S. members enplane more than 90 percent of total domestic and virtually all international scheduled airline passenger and cargo traffic in the U.S.

AOCI has spoken out many times before Congressional committees about the serious problems facing our aviation system and the critical need for higher trust fund spending to increase the capacity and safety of the nation's airport and airways infrastructure.

I would like to focus on the following concerns which are shared by airport operators across the country:

1. The Airport Improvement Program (AIP) should be funded at the $1.7 billion authorized level for the coming fiscal year.

2. Airport capacity initiatives must be given higher priority within FAA. We ask you to earmark at least $25 million as a separate line-item in the Research & Development program. In addition, FAA should be requested to identify future F&E funds needed to implement these concepts.

3. We must return integrity and "trust" to the Airport and Airway Trust Fund and not permit its intended purpose -- that of funding airport & airway capital improvement programs -- to be subjugated to political and budget manipulation by the administration.

4. We ask you to oppose legislative efforts that seek to have the federal government intrude in local government airport operator responsibilities regarding fees and charges which would undermine our local revenue-raising and financing capabilities.

AIRPORT IMPROVEMENT PROGRAM

Last year, Congress adopted the Airport & Airway Safety & Capacity Expansion Act of 1987 (P.L. 100-223). The consensus that developed around this measure and its nearly unanimous approval by Congress pointed up the widespread concern over the state of aviation. Congress increased the authorization level for airport grants, from $1 billion to $1.7 billion for each of the next three fiscal years, with a further boost to $1.8 billion in the last two years.

This was in recognition of the clearly demonstrated need, as evidenced by the FAA's National Plan of Integrated Airport Systems (NPIAS) projection that $24 billion in federal airport assistance will be needed between 1986-1995. Further, 72 percent of that amount is needed for projects to increase capacity and enable airports to handle rapidly growing passenger volumes and aircraft operations. AOCI provided the Congress with a similarly dramatic estimate of $30 billion in airport development projects

over five years. Neither of these estimates, however, adequately reflects funding to construct new airports, which is desperately needed but will be a long time coming. These projections only reveal what is needed in the short term to help us begin catching up with booming air traffic demand -- to fix the system's "potholes", if you will -- and to start planning for facilities that can handle future aviation growth.

Yet, the cycle of perpetual congressional underfunding that has plagued us over the past five years of AIP started all over again--in the same month that the new program was enacted into law. Instead of providing $1.7 billion for AIP in FY'88, as called for in the new authorization, Congress ended up slashing the program to $1.268 billion. Regrettably, the federal budget process is a much greater determinant of how much can be spent on airports and aviation than the level of needs or available trust fund monies.

As we now look to funding the second year of the AIP program, we are falling deeper into the hole. The Administration boasts that they have requested more than ever before for airport grants in the FY 1989 budget, a "record" $1.2 billion. It is appalling that in the face of serious and mounting airport congestion problems, unending passenger delays, a $3.5 billion backlog in unfunded airport project applications sitting on the shelves at FAA, and FAA's own airport needs projections, the Administration would call for less in FY'89 than was provided in FY'88 ... a full 30 percent reduction from the authorized level. There is a meager amount of discretionary funds left for important capacity projects when the program is cut so sharply.

The president's signature was barely dry on the new airport & airway law when the Administration proposed changes that undermine the airport program. While planning to cut AIP by $500 million, the Administration proposes taking an additional $1 billion out of the trust fund for FAA operations in clear violation of the new law. We strongly oppose any additional money for operations until the airport and airway programs have been fully funded. We ask you to preserve the trust fund's principles and restore some integrity to it by rejecting efforts to repeal the "penalty clause". The penalty is the only safeguard left to preserve the trust fund's purpose and to prevent the airport and airway capital programs from being undercut to further subsidize operations and the federal deficit.

We cannot afford to let the federal budget dictate trust fund spending, because while it may allow Congress and the Administration to meet arbitrary budget and spending targets, it bears no relationship to the dedicated user taxes flowing into the trust fund, or to the growing surplus, or aviation infrastructure needs. We as a nation are paying a high price for an inadequate, overcongested air transportation system. The lack of adequate airport capacity is a prime cause of aircraft delays -- delays which cost passengers and airlines an estimated $3-4 billion each year.

Presently, 18 major airports are seriously congested, experiencing over 20,000 hours of delays <u>each</u>. Without a significant effort to increase airport capacity, 32 additional airports will become similarly congested in about 8 years. Congestion at these 50 airports would affect 76 percent of all air passengers, a rather startling prospect considering the ripple effect that congestion and delays at one major airport can cause throughout the system. This alarming trend can be remedied with new airports, new runways, and improved technology to take full advantage of existing airport capacity. Many of these are recommended in the recent Industry Task Force Report on Airport

Capacity Improvement and Delay Reduction, which is attached to our statement.

Even full funding of AIP at the authorized amounts doesn't come close to the rapidly expanding needs already identified by the authorizing committees, the Congress and the FAA. Anything less than full funding makes the situation significantly worse. Yet each year the budget process says, in effect, that totally dormant trust fund dollars cannot be used to buy urgently needed projects costing rapidly inflating amounts. That strikes the airport community as bad fiscal policy and bad transportation policy, particularly in light of the acute need for capacity improvements.

FACILITIES AND EQUIPMENT

Through fiscal year 1988, Congress appropriated $5.767 billion for Facilities & Equipment for the NAS Plan modernization, versus the $7.664 it had authorized -- a cumulative shortfall of $2 billion. As a result, the absolutely needed modernization has not proceeded as fast as it needs to. We support the Administration's request for $1.6 billion in FY'89 as an improvement over previous funding levels, but we also believe it represents the bare minimum that is required for NAS Plan implementation.

The NAS Plan modernization is now less than what had been planned and promised when the modernization began in the early 1980s. This is due in some part to inadequate funding, but more importantly because the NAS plan has not grown and evolved to keep pace with an air transportation system which has grown dramatically. To some degree the reason is that the NAS Plan was touted initially as the monolithic permanent answer to aviation's needs. Because of budget and political reasons, those responsible for the Plan failed to state the obvious: that as aviation changes, as the technology changes, and as we learn more, plans and programs must also evolve. That is by no means a slam at the NAS Plan, which we believe must go forward rapidly.

But we also recognize that needs have changed, that things usually cost more than we hope, and that it is naive to assert that we knew in 1982 all there was to know about all that would be needed. To cite two examples:

In the first NAS Plan there was a clear intent to move to real automation of the ATC system, with the first steps to take hold in about 1993. Those first steps now are not anticipated until about 1999. Again, this is not a slam at the FAA Advanced Automation System program, which must move forward rapidly to implementation as the essential base for further work. But it is a recognition that much more innovative work needs to be done, and that it will require additional R&D and F&E funding.

The second example concerns the work needed to increase airport capacity through technological means. As AOCI and the Industry Task Force on Airport Capacity Improvement and Delay Reduction have testified before, the NAS Plan contains little work on airport capacity, and virtually no F&E funds to actually implement the airport capacity gains that research and development can bring. If, as we believe, the work to achieve reduced spacings on parallel and converging IFR approaches succeeds, for example, the cost for the equipment needed to provide the capabilities at just 42 busy airports will be about $250 million -- a small investment in terms of the benefits expected, but nowhere to be found in the FAA budget.

Microwave Landing System

The Microwave Landing System (MLS) is a similar example. In spite of the unfortunate delays in production of initial MLS ground facilities, and a series of mistakes in bringing the system into the field, MLS is a major improvement in the safety, reliability, and capacity of our approach and landing system. FAA must proceed rapidly to demonstrate, in production equipment, the well-proven Category 2 and 3 all-weather capability and the procedures for flexible, broad MLS coverage for curved and segmented MLS approaches.

Most importantly, however, we urge that Congress appropriate the funds to rapidly complete the nation-wide network of 1250 MLS ground stations needed to gain the safety and capacity benefits that MLS can provide. The nation's investment in MLS is already more than $350 million. Further delay in reaping substantial benefits from this system would seriously jeopardize that investment. Attached to our statement is a resolution adopted by AOCI's membership urging early completion of MLS (Attachment 1).

RESEARCH & DEVELOPMENT

The Administration's budget request of $155 million for FAA Research, Engineering & Development is, regrettably, far short of the authorized level, and is clearly not enough to do the necessary innovative work. It is time to recognize that over the past several years the actual R&D in FAA has been starved to extinction, and the expert staffing needed to conduct it has dissipated. Much of the funding labelled "R&D" over the past several years has in fact been spent on the engineering design of the NAS Plan systems -- work that is essential because the NAS Plan F&E was underfunded, but not R&D in any real sense. It is probably correct to say that for FY 1988, two-thirds of the R&D appropriation was spent for the design of the NAS Plan systems, and that of this year's request only about half will go towards real research and development.

We are delighted to see that Administrator McArtor is moving to reestablish an effective R&D organization in FAA, but he needs your help to fund it appropriately and to find and hire the essential bright young engineers and scientists.

Nowhere is this matter more urgent than in the area of airport capacity R&D and implementation. You may be aware that in 1982, at the urgent request of then-Administrator Helms, an Industry Task Force on Airport Capacity Improvement and Delay Reduction was formed to offer advice and recommendations to FAA. The Task Force was organized by AOCI and has high-level representatives from virtually all major industry organizations. I have had the pleasure of serving on the Industry Task Force representing the Port Authority of New York and New Jersey.

To summarize the views of the Industry Task Force: For years since the release of the National Airspace System Plan, we have all known that the Plan does not do justice to the airport capacity problem. Specific proposals and recommendations have been made by the most reputable industry leaders. Yet the NAS Plan does not do enough to solve the airport and system capacity problem.

We have attached an analysis of the airport congestion problem (Attachment 2) recently approved by the Industry Task Force, and a list of the essential projects (Attachment 3) we feel are needed to be pursued vigorously, with both adequate funds and qualified FAA people.

For several years the Task Force has strongly urged a more intensive effort on airport capacity. But for each of those years, including this year, the funding has been inadequate. For fiscal 1987, after a major push by the Industry Task Force, Congress gave FAA $5.5 million in addition to the basic FAA R&D appropriation, earmarked specifically for airport capacity R&D projects. While a beginning, it was significantly below the amount required and could hardly address the need. Yet, some limited progress was made through those funds.

The Task Force believes at least $25 million is needed each year for several years. The $25 million is the minimum amount authorized in the new Airport & Airway Act for fiscal years 1988, '89 and '90, in which the conference committee directed FAA "to undertake increased research and development activities directed toward technologically advancing the design, construction, safety, maintenance, and operation of airports."

In the FY'88 Continuing Resolution, the conferees expressed concern over the insufficient attention given airport capacity R&D. However, when the demonstrable need was for more than $30 million to make a real impact, Congress, at the last possible moment, eliminated the funds earmarked by the Appropriations Committees, and contented itself with a request for FAA to tell what it's doing on airport capacity work. Notwithstanding the final result, Mr. Chairman, we greatly appreciate your attempt to establish a separate line-item budget category for Airport Capacity R&D and to devote additional monies to these projects. We strongly urge you to make certain that in FY'89, the funds that are clearly needed for this important work are provided.

What has the Task Force done?

-- We have clearly identified the priority R&D work which must proceed, and the related procedure development and analyses and facility implementation which must be done.

-- We proposed that FAA, which is clearly understaffed in experts, establish a center-of-expertise, outside the agency, with consistent funding, a realistic schedule for achievement, and a clearly identified and accountable FAA manager. We have offered industry experts to serve as advisors.

-- The Administrator of the FAA has said that we need to raise the issue of airport capacity to the level of a national debate -- and we agree. However, the problem in the government is that there is still a lack of a consistent DOT/FAA policy to establish the importance of the airport and system capacity problem as a real priority. Nor is there a unified organizational structure to make it move.

-- NASA, with a great deal of expertise, and literally thousands of people dedicated to aviation, has not been utilized enough. We are letting a major national resource go virtually unused.

In responding to the Task Force recommendations and Congressional direction to identify projects related to airport capacity, it is tempting for FAA to include projects which are only peripheral to the achievement of full-time capacity gains.

- A great deal of FAA's R&D work contributes in one way or another to the achievement of capacity, and it is easy, in constructing and justifying a budget, to include under airport capacity R&D anything that impacts it, even inferentially.

For example, it can be argued that work on Controller Human Factors, or the Central Weather Processor, or general system capacity, may belong under the airport capacity R&D heading. Similarly, work to increase poor-weather system reliability or reduce operating weather minima clearly has an impact on overall capacity.

- Further, in looking at budgeted amounts and necessarily brief descriptions, it is difficult to tell how much will be used for the Federal payroll and plant, how much for study and analysis, and how much toward actually completing the project. Only detailed study with FAA managers will produce a meaningful assessment.

The Industry Task Force chose to concentrate on tasks which show promise of yielding increases in the direct, intrinsic, maximum achievable capacity of an airport complex. This selection casts no negative reflection on other necessary FAA R&D, but identifies tasks considered to have the highest payback in direct, full-time airport/terminal area capacity.

For example, a Terminal Doppler Radar is a safety tool which can increase airport operational reliability, and is welcome. However, reduction in spacing requirements, or reduction in wake vortex spacing, or the provision of independent arrival or departure streams, or the automation to reduce inter-arrival variability, would provide a direct capacity increase essentially full time.

We believe it is appropriate to establish a separate line item for the work on airport capacity R&D and F&E, to clearly establish that the work is receiving the appropriate priority. We also believe the definition suggested for airport capacity work as distinct from valid related activities should be part of your direction to FAA.

We strongly urge an appropriation of no less than the authorized $25 million for airport capacity R&D. We also recommend that FAA be asked to provide details on the F&E funding needed to bring the R&D work to operational use. After all, R&D without energetic follow-up to implementation yields only dry reports. Instead, we need operational results urgently.

Threats to local airport revenues and financing

Airport operators find themselves being challenged on several fronts over user fees and charges on which we depend. Legislation has been introduced on behalf of Alamo Rent-A-Car (H.R. 3764) which would restrict the fees airports may charge to companies located off the airport but which conduct profit-making business on airport property. After failing in the courts, including the U.S. Supreme Court, Alamo is seeking special treatment from the Congress to have the federal government restrict airport charges. This would jeopardize airport revenues from both off-airport car rental companies and on-airport car rental tenants who would inevitably be compelled to move off-airport in order to compete. AOCI opposes this legislation, and we commend those of you on this Subcommittee who have expressed your opposition.

Another threat comes in the form of H.R. 4074, which would give the federal government veto power over airport landing fees. This represents federal intervention at its worst. While we do not have time to sufficiently discuss these concerns today, we urge you to strongly oppose any efforts to advance these proposals which seriously undermine the long-standing tradition of local control of airport facilities.

Aviation Security

We would also like to bring to the Subcommittee's attention the FAA's Notice of Proposed Rulemaking on Access to Secure Areas of Airports (Docket Number 25568). It would require 269 airports to install computer-controlled access systems at each point of entrance to the air operations area, all within the next year and half.

AOCI finds the NPRM grossly understates both the number of access points that would be covered and the dollars it would take to equip all 269 airports. The NPRM estimates that the "average large airport" would need a computer-controlled access system on 130 doors, initially costing $1,225,600. Also, FAA proposes in the NPRM to give large airports approximately six months to install these systems.

To illustrate the gross understatement, look at Detroit Metropolitan Airport, which is currently installing a computer-controlled system at 310 access points (approximately two-thirds of the total access points). Estimated cost of the system as planned is $6 million. The entire facility would take another $4 to $5 million. To date, Detroit has spent 14 months developing the plan for this system; implementation is another 14 to 18 months away.

However, no additional funds would be made available to airport operators to assist in meeting these requirements. AIP funds to help put these systems in will be forced to compete against other important airport capacity improvement projects for limited AIP dollars.

We propose instead that Congress immediately require FAA to initiate a pilot program at four airports, one in each of the FAA's security categories, with federal AIP funds. After the systems are tested and proven, additional funds should then be provided for all 269 airports.

Conclusion

Airport operators are at the narrow end of the airport and system capacity funnel. We see the problems and the needs every day. While increased funding from the Trust Fund is critical to improving and modernizing our airport & airway systems, structural changes in FAA will also be needed to help create a vibrant, energetic, fully capable FAA -- one that can respond effectively to the dynamic aviation industry and devote the necessary resources.

Thank you for the opportunity to provide our views.

[ATTACHMENT 1]

RESOLUTION NO. 13
(U.S. Members Only)

MICROWAVE LANDING SYSTEMS

WHEREAS the timely introduction of the Microwave Landing System (MLS) is expected to have a major beneficial impact on airport system operations by a) permitting relief from inter-airport flight path interference, b) by helping to facilitate additional arrival and departure streams, c) by permitting more constant low weather minimums operations at large and small airports, d) by permitting the creation of least-noise paths in the terminal maneuvering area, and e) by increasing airport capacity, and

WHEREAS serious delays in the introduction of MLS ground facilities have been incurred, in part because of production problems by the sole manufacturer, and

WHEREAS some airlines and other operators have been reluctant to invest in MLS avionics because a) the current MLS procurement will only provide Category I operations, and will not permit Category II and III operations until much later, b) current FAA efforts have not adequately concentrated on providing MLS departure and missed approach guidance which are essential to achieve the best safety and capacity benefit from MLS, and c) because current FAA and MLS procedure development has not been sufficiently forward-looking in exploiting the expected technical capabilities of MLS to permit future planning and to offer clear incentives to the aircraft operators at major airports and smaller airports, and

WHEREAS the benefits of MLS to airports and aircraft operators will not be achieved until there is a major implementation of MLS at many airports, large and small,

NOW THEREFORE BE IT RESOLVED by the United States members of the Airport Operators Council International in meeting assembled that the AOCI Policy Handbook be amended by adding a new section as follows:

Timely Implementation and Use of
the Microwave Landing System (MLS)

1) Congress and DOT/FAA should immediately pursue the earliest procurement of the MLS ground facilities to complete the MLS system.

2) In the procurement, FAA should utilize at least two competitive manufacturing sources in order to speed the process and avoid dependence on any one source.

3) FAA should proceed urgently to develop MLS ground facilities capable of broad-coverage approach operations as well as departure and missed approach guidance to Category II and Category III weather minimums.

4) FAA should expand MLS operational procedure development to exploit the unique capabilities of MLS, and to assure airports and aircraft operators that those benefits will be forthcoming based on the expected performance of MLS.

5) FAA should assure that minimum-cost MLS facilities can be provided at smaller airports, whose near-term needs may be less demanding than those of major airports.

[ATTACHMENT 2]

INDUSTRY TASK FORCE ON AIRPORT CAPACITY IMPROVEMENT AND DELAY REDUCTION

March 1988

THE AIRPORT CAPACITY AND CONGESTION PROBLEM AND A TECHNICAL APPROACH TO IMPROVEMENT

Introduction and Summary

The purpose of this paper is to provide a perspective on realistic technology remedies for airport capacity limitations, and to suggest strengthening a series of technology R&D initiatives.

Airport capacity limitations and the resulting congestion and delay continue to plague the aviation system at major airports. As traffic grows, the problem gets worse, the cost of delays is formidable, and remedies that constrain demand become ever more compelling. In order to help establish priorities and realistic limits on what may be achieved, a recent study commissioned by FAA* was designed to stand back and assess what may be realistically expected of technology improvements. The results, in a nutshell, are the following:

There are only a few ways to get increased airport capacity to contain congestion and delay:

1. By far the highest payoff comes from new airports and new runways, sited to minimize environmental impact.

2. The second highest payoff comes from safe reduction of separation standards, longitudinally and laterally, in order to permit an airport with a given amount of real estate to yield the highest capacity. Where possible, the segregation of slower, lighter aircraft from faster and heavier aircraft within the airport complex into several separate arrival streams optimized for aircraft weight and speed is clearly valuable.

3. The third is by the reduction of variability (through automation in aircraft and the ATC system) -- highly efficient flow management to best utilize the terminal airspace and airport resource, the reduction of interarrival variability over-the-threshold, and reduction of the variability of runway occupancy time. Essential ingredients are a) better real-time knowledge of winds and wind gradients, b) more accurate knowledge of actual airport and terminal airspace capacity, and c) better communications/coordination between aircraft and the ATC facility.

4. A closely related ingredient is optimization of the use of the airspace in the airport vicinity and beyond, - such as the FAA East Coast Plan, West Coast Plan, and individual airspace aircraft flow analyses for specific airports.

5. The final ingredient is the recognition that terminal airspace, airports, and aircraft capability must be dealt with as an integrated system. Hackneyed as it sounds, improvements in the three elements separately will yield less than the sum of the parts unless there is meaningful integration. The old-fashioned process of dividing enroute

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* Lebron, J. E. "Estimates of Potential Increases in Airport Capacity Through ATC System Improvements in the Airport and Terminal Areas," The MITRE Corporation, McLean, VA, October 1987. FAA Report DL-5 87-1, MITRE MTR-87W203.

ATC and terminal ATC, ATC from airport operations, and aircraft capability from either is counter-productive.

These are the primary ingredients for airport capacity increases and the only ways, beyond constraining demand artificially, to reduce airside congestion. None of the remedies is likely to bring airport capacity under Instrument Meteorological Conditions (IMC) to the capacity routinely achieved in Visual Meteorological Conditions (VMC), yet there is virtue in attempting to increase IMC capacity to approach the equivalent of VMC operations (see below).

There is little here that the knowledgeable analyst hasn't known, but the relative value of the several remedies is revealing. FAA R&D programs are identified for all of these areas, but the pace of completion of these efforts and their implementation has been slow. The National Airspace System (NAS) Plan from the beginning recognized the importance of airport capacity but airport capacity R&D and implementation has for years taken a back seat to other NAS Plan programs. This is no longer so as a result of industry concern, but the pace, intensity and funding of these efforts remains wanting.

Energetic pursuit of current efforts is not enough. There are other things to be done, and new initiatives to be taken, by:

- Expedited introduction of real ATC automation on the ground to match the more advanced level of automation in large aircraft.
- Early introduction of digital air/ground (data link) communications.
- Demonstration and use of Microwave Landing System (MLS) capabilities.
- A prudent new look at ways to have pilots "self-space" their aircraft on final approach in IMC, as they do well in VMC.
- Introduction of cockpit traffic information systems and techniques which will make pilots sufficiently comfortable with the other concepts to gain their enthusiastic support.

A coherent, well-funded FAA R&D program with finite milestones and a dedicated group of experts is essential.

Different Viewpoints

It is useful to examine the views which different elements of aviation hold about the system in which we operate together.

Airspace Users - Airlines, business, and general aviation often see the air traffic control system as a necessary evil and a constraint on their ability to do what they wish to do. They view the mass of procedures and rules and regulations as a costly limitation on their freedom. They see delays at sector boundaries, routing limitations, and imposed departure delays, flow restrictions and quota rules as a series of red lights which a more "efficient" FAA could turn green. Airlines have responded to business opportunity and have increased the demand on the airports through more flights, hubbing, and other business mechanisms. They rail against the fundamental reality that airport and terminal area capacity is limited and that increasing demand on stressed resources spawns delay. Yet the mechanism by which delay cost increases asymptotically as the actual capacity of an airport is approached has been known and understood for years.

Pilots and pilot groups often agree with this assessment but view the remedies differently. To pilots in command who are charged with ultimate responsibility for the safety of their passengers and aircraft, attempts to improve the system by making new demands on their operations, or reducing separation standards, are properly viewed with a jaundiced eye, lest safety be somehow

compromised. ATC automation is sometimes seen to erode the authority and prerogative of the aircraft commander, while taking from him at least part of his ability to assess the total situation and to assure that automation is working properly. An historic concern is the possibility that the introduction of digital communications, a vital ingredient in automation, may remove the "party line" which permits the pilot to appreciate, at least in part, what the air traffic control system is doing.

Airport operators, the narrow end of the airspace funnel, are motivated to increase the capacity of airports through changes within their purview, - such as addition of runways and taxiways, added gates and passenger facilities, and optimized airport surface movement. Increased capacity and aircraft movement efficiency is of primary and direct interest to airport operators in making their airports attractive limited primarily by the need to maintain safe and environmentally sound operations. Their enthusiasm for additional traffic must be tempered by concerns about the impact of noise on airport neighbors, and they support all reasonable means to mitigate noise impact through quieter aircraft, use of least-noise paths and noise abatement procedures.

FAA, charged with managing the air traffic control system and assuring safety for everybody, sees the rules and procedures as essential tools in making a very difficult job manageable. The same flow restrictions or quota rules which operators see as restrictive red lights are viewed by FAA as essential to provide the highest level of safety and efficiency for everybody without imposing burdens on individual controllers which they cannot handle safely. The system modernization of the NAS Plan, a continued program of financial aid to airports, the continuing analyses and restructuring of busy areas to assure that the procedures in use provide the best achievable results, will improve the situation, but will not satisfy the demands of increasing traffic. (FAA recognizes the importance of R&D and technological change, but has not acted decisively to achieve R&D output and results.)

The problem is that all the viewpoints are legitimate. Let's look at what can be done.

Background

Literally libraries of papers, analyses, operational research, and reports of development have illuminated the airport congestion problem. Experts of the FAA, the National Aeronautics and Space Administration (NASA), and many industry and academic groups have been at work for years. Industry experts, singly and in groups, have studied the problem and offered recommendations on which extensive developments and research have been based. Yet the problem remains and is getting more serious. Although airport capacity is higher now than it was a few years ago, the gains have been inadequate as the demand for utilization of the Nation's airports has grown rapidly.

Technical solutions which would create major increases in capacity have been elusive. Some developments which seemed promising either failed to find acceptance or were overtaken by events. (The FAA's development of an automated terminal metering and spacing systems on which large resources were expended a decade ago failed to find acceptance for a variety of reasons, in part because requirements changed between conception and implementation, and because the approach was technically too ambitious and operationally not ambitious enough. The Wake Vortex Advisory System, which was taken to a late stage of development was found unacceptable to important segments of the pilot and controller community.)

Recent activities to safely reduce separation standards in the lateral and longitudinal dimensions so as to exploit the capabilities of parallel runways, converging runways, and short runways -- work that grew out of the findings of a series of FAA/industry airport

task forces charged (as early as 1975) with finding realistic ways to increase capacity -- have progressed, albeit slowly, with continued serious reservations expressed by some.

Major improvements in the management of aircraft flows have been implemented by FAA and are distributing unavoidable delays more fairly throughout the system rather than concentrating them at the busiest airports. Flow control, an absolutely essential tool after the 1981 controller strike, has evolved into a means to manage limited airspace and airport resources. But it is far from perfect. It is seen by some as artificial constraint of aircraft movement because it is not perfect, and cannot be perfect as long as the fluid in which aircraft fly is not perfectly defined or predictable into the future, and as long as the actual airport capacity at the destination is not absolute and unchanging. Airlines are clamoring to overcome these limitations by reinstituting terminal area holding in order to be able to fill up unused airport slots when the best predictions of actual capacity are found to be conservative. Flow management is not a means to achieve intrinsically higher capacity; it is a way to use existing airspace and airport resources as efficiently as possible.

Some remedies for airport congestion have been found unacceptable to man. Eliminating the slower general aviation and business aircraft from major airports during busy hours, or restricting takeoffs and/or landings to heavies or lights or mediums for given amounts of time would yield higher overall capacity, but would violate the 'first come, first served' principle and could establish an autocratic rule over the utilization of particular airports. Giving priority to aircraft that can achieve over-the-threshold target time to within 3 to 4 seconds instead of the current mean of about 18 seconds has seemed equally unacceptable; as has the idea of normalizing or standardizing runway occupancy time which has a variability of 12 to 16 seconds and limits the top runway capacity.

What Can Be Done?

Are we on the wrong track, when promising developments have failed to find acceptance? When even the good ideas, if implemented, will each yield only small capacity increases? When the path from investment in new technology to implementation and benefit-reaping is not clear or agreed ahead of time?

Let's look at things that can be done and see if there are ways to overcome the objections which have prevented the implementation of even some of the small capacity gains which seem achievable:

1. More airports and more runways and the flexibility to use them efficiently.

In the hierarchy of capacity gains, more runways and more airports clearly top the list. This discussion will not deal with the political, financial, and environmental problems involved in creating new airports and new runways, but there are one or two things to be said. In the broad sense, the achievement of new runways is made easier, particularly at existing airports with limited real estate, by achieving safe reductions in the minimum spacing requirements between runways that permit independent IFR operations, enhancement of the capability to use separate arrival and departure paths for different classes of aircraft, by using flexible approaches and departures, and by preventing interference between approaches to different airports in the same vicinity.

The large and increasing speed disparity between aircraft types wishing to use major airports suggests terminal ATC system designs which segregate heavier, higher approach speed aircraft from lighter, slower, less wake-producing aircraft; and flexibility in establishing approach and departure paths to help avoid noise sensitive areas and thereby make increased traffic acceptable to the surrounding community. The key is the ability for aircraft to navigate precisely on flexible approach and departure paths, along with a high-accuracy

surveillance system. The ingredients are the long-promised/and long-delayed Microwave Landing System (MLS) and the modern Mode S surveillance system and its data link.

2. Reduction in minimum separation requirements.

High on the list of capacity gains are those achievable if IFR separation standards can be reduced safely. Over the past several years, and as a result of extensive studies of individual airports, FAA has concentrated on achieving closely-spaced parallel IFR operations, achieving lower IFR minimums on converging approaches, reducing the longitudinal interarrival spacing requirements, exploiting separate arrival/departure paths for short runways, achieving multiple glide slope angles for wake vortex avoidance on parallel IFR approaches, the concept of "almost-parallel" splayed or curved approaches to parallel runways, and attacking the wake vortex problem. There have been successes in the reduction of spacing requirements for dependent IFR operations to parallel runways, in the reduction of minima to converging runways, and reducing the interarrival separation, under carefully controlled conditions, from 3 to 2-1/2 nmi.

But successes have come slowly and the gains have been small relative to the need. There are many reasons. Perhaps the most important one is the reluctance, especially of pilot groups, to agree to reduce separations from levels which have proven safe in practice.

Traditional separation standards usually have been arrived at judgmentally, i.e., without attempts at elaborate mathematical risk assessments. Yet assertions that new separation reductions are safe must be based on analysis -- often mathematical analysis with inherent and often unprovable assumptions. Perhaps greatest is the concern about how to deal with rare events and large errors and their consequences, where analysis must always give way to judgment, and the concern of pilots that a fallible human controller dealing with a complex problem must be depended upon absolutely to prevent disaster.

The problem is compounded by the fact that there is no statistically sufficient data base on how aircraft actually behave during final approach and departure operations, and particularly during missed-approach procedures, for which valid, real life data is sparse, but where the perceived risk is greatest.

In the minds of many pilots, the introduction of automation and automatic detection schemes into this process does not alleviate the concern, in part because automation is perceived to involve computer-to-computer digital data exchange, communications which threaten to remove the "personal" element -- the party line -- on which many pilots depend to maintain involvement and a personal error check on what the ATC system is doing for, or to, them. Pilots believe, rightly, that they must be kept involved in the ATC process so that they can continue to be a part of the error-catching process.

Recognizing that automation and digital data exchange are prospectively important ingredients in achieving better utilization of airport resources, it may be time to look again at some old ideas of relieving the perceived problem, that is, providing the pilot with symbolic information on the status of aircraft of concern around him. The TCAS alert display, now nearing the end of its development, shows again that a display of traffic of concern is feasible. It is prospectively a powerful tool in providing confidence to the pilot that an increasingly complex traffic control process is working properly, while not infringing on the pilot's ultimate responsibility for the safety of the aircraft and passengers.
Several approaches to such a display of traffic of concern are possible, starting with the display of TCAS information.

The recent FAA NPRM on carriage of TCAS pending Congressional legislation make it almost certain that TCAS will be coming to airline cockpits. This will not occur without great expense to the airlines; the NPRM estimates that implementation will cost the

industry $748 million, but many feel that the unquantifiable protection afforded by TCAS makes it worth the price.

TCAS can provide, for the first time, traffic information in the cockpit. There may be ways in which the cost of TCAS can be offset by capacity increases and ATC efficiencies by applying the TCAS information in an environment of cooperative ATC.

Alternatives are transmission of data on traffic of concern to the aircraft from the ATC surveillance system, or display of information from other aircraft which would frequently broadcast their own position, and perhaps heading and intent in the manner of a "blinking beacon" suggested years ago by Lincoln Laboratory and others.

High-quality, high-accuracy position information would be required. All the classic problems of avionics costs, the need for universal equipage, and a multiplicity of other problems which have killed the idea in the past still affect consideration of this concept, but it is time to move out. The cockpit traffic information display and cooperative ATC system could be used at all airports without the need for specialized ground equipment, and there is a possible reduction in controller workload.

3. Reduction of variability through automation.

It is sometimes asserted that the best way to achieve optimum utilization of the airport resource is full automation of aircraft operations near and on airports. In the extreme, an all-knowing computer on the ground would take hold of the aircraft and "fly" it automatically through touchdown and rollout to turnoff in accordance with a marshalling and sequencing scheme based on full knowledge of the actual terminal area and airport capacity, the winds and shear conditions aloft and by automatic dispatch of departures. Assume for a moment that this Utopian notion makes sense, that it might somehow be acceptable to transfer operation of an aircraft from the cockpit to a ground computer, that it is feasible for a ground computer to acquire enough information on aircraft condition and energy state to make such control sensible, and that dozens of other conditions could be met.

The recent analysis* conducted for FAA shows that, even in this dream scenario, IFR capacity gains are not overwhelming -- perhaps on the order of 25 percent or less. If it is now assumed that such a system would not be perfect -- that is, it would not reduce the over-threshold variability to zero, its knowledge of winds aloft would not be perfect, uncertainties of on-runway performance could not be reduced to zero -- realistically achievable capacity gains go to the order of 12-16 percent. That's well worth trying for, but not overwhelming in light of the costs and the problems to be overcome. Such an automatic process, however, if not carefully applied, could eventually reduce the chance to apply the skills and intelligent innovation which human beings use so well to optimize traffic flow into and out of the airports.

With the sobering conclusion that full automation isn't the answer to the maiden's prayer either, what is the proper direction to pursue in taking advantage of automation of the terminal area air traffic control process?

While automation, both in the aircraft and in the air traffic control system, would appear to be a valuable prescription for reduction of the variabilities, pilots and controllers working as a team using their best collective judgment are likely to produce higher achieved capacity than "full automation" of the air traffic control system. In other words, until and unless automation is as intelligent and as innovative as the best pilot/controller teams have repeatedly proven themselves to be, automation must be approached carefully lest it prove to be an expensive white elephant.

This is not a jab on automation, but a view that automation, especially at and near the airport, should be used to enhance the

innovative intelligence that only human pilots and controllers can provide. It says something about the automation to pursue -- automation which can enhance rather than replace the innovation and judgment that human beings bring to the control job.

Several things seem right. Perhaps most important, and seemingly achievable, is automation of the process of marshalling and sequencing aircraft in an optimal fashion in the transition area, working hand-in-hand with the Traffic Management System (TMS) from perhaps 150-200 miles away from the airport. The ingredients, as before, are high-quality information on aircraft position and aircraft capability, the best possible information on winds aloft, and information on the actual current and near-term projected capacity of the airport. A major ingredient is knowledge and utilization of aircraft capability to make good particular waypoints and arrival times. That process becomes simpler as more aircraft become equipped with 4D area navigation equipment and flight management systems, permitting sound assumptions to be made as to aircraft ability to make good a described path and time. Recognizing that approach winds will not be perfectly known, full advantage can be (and is now) taken of the capability in many aircraft to determine instantaneous winds from inertial reference systems and flight management systems. Digital information exchange and digital communications are essential ingredients in achieving the highest efficiency of such a sequencing and marshalling system -- perhaps again pointing up the desirability of a traffic display to make pilots comfortable about the workings of such an automated system.

As aircraft near the airport, innovation and ingenuity of pilots and controllers should be used to achieve the highest airport capacity by use of self-spacing where that is appropriate, and by letting the human controller do what he does best in assessing a now limited-variable situation and applying innovative solutions in real time. This process can be aided by automation of a somewhat different type, characterized by the work done in "expert systems", such as the "controller associate" research by MIT, University of California Berkeley, Carnegie-Mellon and others in which computers would offer the controller useful information and options in an advisory (i.e., non-threatening) manner, offering turn-to-final advice, among other things. Systems like DICE, the German COMPAS, or the NASA efforts may be forerunners of such capability. Both controllers and pilots would be involved fully in this final approach process, using their combined capabilities.

The automation effort should be devised in recognition of three fundamental requirements: a) that automation be introduced and used where it can actually do the job better than human controllers and pilots working as a team; b) that automation aids should be used to best utilize the controller and pilot/aircraft capabilities; and c) recognition that automation and optimum efficiency of the system will require major improvements in information flow and exchange, that such information flow will have to be largely digital in character, and that a way must be found to provide cockpit information on traffic of concern and its intentions.

4. Bringing IFR Capacity Closer to the Level of VFR Capacity.

It is well understood that airport capacity in VMC is significantly higher than under IMC, and it is conceded that reductions in separation standards and the reduction of variability through automation will, in all likelihood, not produce a level of capacity equivalent to that achieved under VMC, when pilots themselves are visually aware of other aircraft of concern and are responsible for spacing themselves and for their own wake turbulence protection. The reason, simply put: pilots are more willing to accept reduced separations when they can see and appreciate other traffic with their own eyes and can exercise their own judgment.

Equally important, in IMC even the best controller team is limited by the lags involved in communications and surveillance, and the delays introduced by the times required for perception and initiation of

corrective action when there is more than one person in the loop. This effect was studied by Swedish of the MITRE Corporation in work for FAA published in August 1979.** Once again, a prospective help may be a reconsideration of work done years ago on "electronic VFR," which involved providing accurate position information on aircraft of concern to the pilot by means of a cockpit display of traffic.

While cockpit traffic displays have a variety of problems and are subject to misuse, they have a unique capability in the maintenance of longitudinal spacing. The possibility for pilots to "self-space" on the final approach would permit elimination, or at least reduction, of the "lag loops" mentioned above. The ingredients would be very high-quality position information both of the pilot's own aircraft and on the aircraft ahead, preferably all the way down to an on the runway to the turn-off point, along with an easy-to-assess display not only of the aircraft ahead, but also of other aircraft of concern approaching or departing the airport. It is doubtful whether the full VMC capacity could ever be achieved, but it may be worth exploring again how close one could come and to examine again the cockpit information requirements to approach VMC capacity in this shared-responsibility arrangement in IMC.

5. Better Knowledge of Winds and Wind Gradients.

A variety of studies have shown that even small variations of winds along the approach have a significant impact on interarrival time variation. Lack of accurate real-time and projected knowledge of winds aloft complicates the flow management process and makes it considerably less than perfect. Coupled with the safety requirements for protection of aircraft from wind shear and the effects of microbursts, better real-time and projected knowledge of winds and wind gradients is essential to the optimum performance of the en route and terminal flow management system and efficiency in the use of existing airport capacity resources.

6. Improved airport surface surveillance, guidance, and control.

While there have been dozens of analyses, studies, and developments of surface surveillance systems, and some excursions into rudimentary surface guidance and control systems, no such systems have come close to implementation other than simple, primary airport surface detection radar. Yet, as capacity increases and airports become more complex, as they inevitably will, more efficient surface traffic control becomes highly desirable. Control, and perhaps reduction, of runway occupancy time is an important ingredient in making best use of the runway resource since interarrival separations are heavily impacted by the length of time aircraft stay on the runway, and improved aircraft energy management during the rollout and in preparation for turnoff requires high-quality information on progress along the runway.

Guidance to and during the turnoff would seem to be of value to encourage use of "high speed" exits and automation of traffic control on the airport itself should be far more readily achievable and acceptable than the more difficult three-dimensional automation required in the air. Better control of runway incursions awaits not only better airport surveillance, but also improved presentation and an automated level of guidance and control of aircraft movements on the surface.

Once again, the essential ingredient is adequate surveillance and guidance information on the airport itself, preferably using the same or similar surveillance and guidance systems used in the airspace, and preferably of a kind in which the information can be transmitted to the cockpit for some of the uses described above.

** Swedish, W.J. "Evaluation of the Potential For Reduced Longitudinal Spacing on Final Approach," MTR-79W280 (FAA-EM-79-7), The MITRE Corporation, McLean, VA, August 1979.

The Bottom Line: Development Direction

Where does all this lead? There are still no miracles, nothing we can do will double or triple the capacity of our airports, nor can anyone, by magic, pour a quart into a pint jug. The above assessment seems to say that a number of the development directions FAA has been mostly talking about are right and need to be pressed energetically. But more can be done. Automation is valuable, but limited; automation of the marshalling and sequencing process, tied closely to the flow management system, is the most promising real automation, but work on (expert) systems which give the controller better tools to use his own innovation and ingenuity close to the airport is worth pursuing energetically. There may be ways to overcome the reluctance of pilots to accept safe separation reductions, and to become more involved in the terminal air traffic control process rather than less, by provision of higher accuracy position data and better and more comprehensible information in the cockpit.

If this assessment makes sense, it calls for increased application of resources -- dollars and experts -- to present efforts, as well as to several new initiatives and to rejuvination of old ideas previously discarded or unexploited.

A Comprehensive, Coherent R&D Program

Beyond doing everything that can be done to achieve more airports and more runways, the major elements of a closely integrated effort should be as follows (work is underway on some of these, but at a very slow pace):

- Early Completion of Work on Current Capacity Improvement Concepts

  Continuation and expedition of the now-traditional capacity improvement concepts long under study and development: closely spaced parallel IFR operations, reduction of IFR minimums on dependent and independent converging runways, reduction of longitudinal separation, exploitation of short runways, exploitation of almost parallel splayed or curved approach path operations, etc.

- Near-and-On-Airport Aircraft Performance Data

  Conduct of a data gathering effort to obtain valid, up-to-date information on actual aircraft performance in the terminal area on final approach and, most importantly, during missed-approach operations to help in establishing better and more realistic risk assessments.

- Utilization of the Microwave Landing System

  Expedited development of procedures for use of the microwave landing system to permit achievement of improved terminal capacity, reduce operating minima, and achieve least-noise arrival and departure paths.

  Implementation of the Microwave Landing System to establish acceptable arrival and departure paths to major airports for heavy, fast wake-producing aircarft separate from light, lower approach speed aircraft to create reduced noise-impact profiles, to achieve the use of multiple glide slope angles for wake vortex avoidance on parallel approaches to utilize fully the MLS capability to provide other than straight-in 3 degree approaches to parallels and to provide precision departure and missed approach guidance, and a variety of other procedures.

- Terminal Automation

  Development, at the earliest possible time, of an automated marshalling and sequencing system tied closely to the TMS flow management system, and extension of the capabilities of the Runway Configuration Management System to improve on the

determination of current and near-term projected actual airport capacity.

"Time-to-turn to final" advisory systems, and subsequently their enhancement by 'expert system' assistance to controllers should be energetically pursued for the final portions of the approach, and the optimum combination found to utilize aircraft capabilities, controller ingenuity, and automation help to achieve best use of the airport resource.

- Better Knowledge of Winds and Wind Gradients

Because accurate knowledge of winds aloft and discontinuities in the airspace environment have a major impact on airport capacity, and since any marshalling and sequencing system and optimal usage of the airport resource depends heavily on knowledge of winds on approach and departure, current efforts to implement terminal weather radars which have the capability of providing accurate wind and weather data en route and at terminals should be pursued. That information should complement, not substitute for, the use of accurate wind information available in aircraft which are equipped with inertial reference systems and sophisticated flight management systems.

- Coping with Wake Turbulence Effects

A new wake vortex data gathering effort should be undertaken as an input to development of an automation program to transition from the simple 3,4,5,6 mile wake vortex spacing to one more capable of using actual aircraft wake signatures to eliminate unneeded wake vortex restrictions, but simple enough to be acceptable to controllers. At the same time, the early work on the Wake Vortex Advisory System should be reopened to determine whether acceptable actual wake vortex sensing and related procedures can be found to further ameliorate the wake vortex restrictions.

- Cockpit Traffic Information

Using the earlier work on cockpit traffic information displays, augmented by more recent work on the TCAS alert displays, a development and demonstration effort should be undertaken to provide information in the cockpit on aircraft of concern and to once again establish the possibilities and limitations of "electronic VFR" to permit pilot self-spacing on final approach to reduce the impact of the lag loops imposed by the present control process.

The development and demonstration effort should establish the possibilities and limitations of a cooperative ATC system in which the pilots

a) would be able to refine spacing on final approach to reduce the impact of lag loops imposed by the present control process;

b) would be able to use TCAS to derive information to replace the party line dialog lost in a data link communications environment; and

c) would utilize traffic information to gain confidence in highly automated ATC processes.

- Airport Surface Surveillance, Guidance, Control, and Automation

Development should be undertaken, based on earlier analysis and development of surface surveillance, guidance, and control systems, and using the ASDE radar as the takeoff point, of a modern surface surveillance guidance and control system to provide, in several stages of automation, a full airport surface surveillance system. Its guidance function should provide

information to aircraft on such aspects of runway remaining, turnoff, and taxi operations. It should provide for better protection against runway incursions and should be the basis for automation of surface traffic movement. To the extent possible, the surveillance elements, as well as the guidance and control elements of such a system, should be technically compatible and interoperable with the terminal area airspace surveillance and communications systems to minimize avionics requirements as well as air traffic control equipment. The digital data link information exchange and communications needs should be a part of the larger digital communications system for air traffic control.

- More Accurate Surveillance Data for Pilots and Controllers

  Recognizing the future need for very high accuracy position information, both for the near airport air traffic control surveillance system and for pilot displays of traffic which may be in near proximity, analysis should be undertaken to establish the minimum requirements for accuracy and integrity for such an on- and near-airport surveillance system, and to establish a rational transition to such a new capability. Candidate technologies should be the Mode S surveillance system and its data link, and logical evolutions from it, through use of multilateration and other techniques; other, perhaps unique, terminal area surveillance systems; the potential of an integrated surveillance and navigation guidance system; the possibility for use of high-accuracy satellite navigation (as described by the ICAO Future Air Navigation Systems Committee), perhaps differentially augmented on a local basis; the concept of an automatic dependent surveillance scheme; and a reexamination of the potential of the "blinking beacon" idea which might automatically and frequently transmit accurate aircraft position, as well as heading and potentially other information, to all other aircraft of concern, as well as to the ground ATC facility.

  This kind of surveillance/guidance system for high-density terminal area operations should be able to encompass both the terminal airspace and the airport surface and should be suitable as a source of high-accuracy aircraft position information which might be usable both on the ground and in the aircraft as a basis for collision avoidance in the long term. The digital communications requirements and traffic loads for use of such a system for its various purposes needs to be included in the analysis.

A cohesive airport capacity research and development program with a critical mass of experts and money, with early milestones and output, containing these elements as a coordinated effort, and taking full advantage of earlier work, would help to achieve the highest capacity practically achievable from our airport system.

[ATTACHMENT 3]

AIRPORT CAPACITY TECHNOLOGY AND PROCEDURE DEVELOPMENT NEEDS

Rather than describing needed airport capacity efforts in terms only of R&D required, the following describes the need in terms of the results needed, since all of the work requires not only R&D but also implementation, procedure development, safety studies, and training.

INDUSTRY TASK FORCE OBJECTIVES

1. Reduce required IFR spacing between parallel runways to 3000'

2. Reduce minimums for IFR operations to converging runways to near VFR minimums

3. Establish procedures for IFR operations to triple runway operations

4. Introduce automation aids for controllers into terminal area operations to

   a. achieve optimal arrival sequencing

   b. provide guidance for staggered arrivals

   c. achieve minimum required wake vortex spacings

   d. reduce inter-arrival variability by 50%

5. Develop requirements and procedures for use of cockpit traffic displays to provide better information to pilots on traffic situation, and permit pilot participation in approaching VFR capacity in IFR conditions

6. Complete development/refinement of airspace and terminal area traffic flow analysis models, and apply as appropriate

7. Gather actual current aircraft performance data near and on airports and during missed approach operations to permit use of realistic data in separation reduction studies (Use data from efforts 1&2 as appropriate)

8. Renew efforts to reduce operational impact of wake vortex

   a. by developing refined aircraft classifications

   b. by developing automated tools to permit controllers to apply minimum required spacing routinely

   c. by completing development of previously abandoned wake vortex detection and advisory system

9. Expedite development of procedures for beneficial MLS application

a. by reducing operating minima commensurate with MLS capability

b. by rapid completion of MLS Cat.2/3 facilities

c. by rapid development of procedures for MLS capacity enhancement, and development of least-noise arrival and departure paths

10. Continue and expedite specific-airport capacity improvement studies, and apply new technology concepts to establish their local application

11. Improve safe on-airport air traffic movement and control

a. by improving airport lighting and marking to provide for safer airport operations during runway entry and turnoff,departure and crossing, reduction of runway occupancy time

b. by development of automated, airspace system-compatible airport surface surveillance, guidance and control system which supports improved runway incursion control

12. Continue pavement design R&D to establish standard runway design criteria, improve pavement longevity, reduce impact of runway construction on airport operations, and obtain best value for AIP investment

13. Complete work to establish better data on runway friction and its operational relation to runway occupancy time

STATEMENT OF THE AMERICAN ASSOCIATION OF AIRPORT EXECUTIVES

ON BEHALF OF THE AMERICAN ASSOCIATION OF AIRPORT EXECUTIVES (AAAE), THANK YOU FOR PROVIDING US WITH THIS OPPORTUNITY TO TESTIFY ON THE FEDERAL AVIATION ADMINISTRATION AND THE DEPARTMENT OF TRANSPORTATION FISCAL YEAR 1989 APPROPRIATIONS. AAAE IS THE LARGEST PROFESSIONAL ORGANIZATION FOR AIRPORT EXECUTIVES, REPRESENTING OVER 1300 AIRPORT MANAGEMENT PERSONNEL. OUR MEMBERSHIP IS TRULY REPRESENTATIVE OF AIRPORT MANAGEMENT THROUGHOUT THE NATION. IT IS NEITHER "BIG AIRPORT" NOR "SMALL AIRPORT" ORIENTED, AS IT HAS WITHIN ITS MEMBERSHIP THE EXECUTIVES OF LARGE AND MEDIUM SIZE AIRPORTS AS WELL AS HUNDREDS OF MANAGERS FROM SMALLER AIRPORTS -- MANY OF WHICH ARE USED EXCLUSIVELY BY GENERAL AVIATION OR REGIONAL AIRLINES.

AIRPORT IMPROVEMENT PROGRAM

LAST YEAR, THE CONGRESS PASSED THE AIRPORT AND AIRWAY SAFETY AND CAPACITY EXPANSION ACT OF 1987 AND IN DOING SO, RECOGNIZED THAT A SAFE AND EFFICIENT AIR TRANSPORTATION SYSTEM DEPENDS LARGELY UPON THE CONTINUED INVESTMENT IN AIRPORT AND AIRWAY CAPITAL DEVELOPMENT. THE SUPPORT OF THIS COMMITTEE, PARTICULARLY IN FUNDING THE NEW AIRPORT IMPROVEMENT PROGRAM (AIP) AUTHORIZED LEVEL OF $1.7 BILLION IN THE HOUSE VERSION OF THE FAA'S FY1988 APPROPRIATIONS WAS MOST APPRECIATED. UNFORTUNATELY, AS YOU WELL KNOW, AIP WAS CUT BY OVER $400 MILLION IN CONFERENCE AND SHOULD THE CONGRESS APPROVE THE PRESIDENT'S CURRENT AIP REQUEST OF $1.2 BILLION, ALMOST $1 BILLION OF AIRPORT CAPITAL DEVELOPMENT NEEDS WILL GO UNFUNDED. WHILE THE CURRENT AIP PROGRAM HAS BEEN BENEFICIAL TO AIRPORT DEVELOPMENT, IT HAS BEEN INADEQUATE IN UPGRADING THE AIRPORT INFRASTRUCTURE NECESSARY TO MEET CURRENT AVIATION DEMANDS. IT SHOULD BE READILY APPARENT GIVEN THE CURRENT STATE OF AIR

TRANSPORTATION IN THIS COUNTRY THAT FEDERAL FUNDING OF AIRPORTS HAS NOT DEVELOPED ENOUGH AIRPORT CAPACITY TO KEEP PACE WITH GROWING AIR TRAFFIC DEMAND.
AT PRESENT, $3.5 BILLION IN ELIGIBLE AIRPORT CAPTIAL AND SAFETY RELATED GRANT APPLICATIONS ARE ON FILE WITH THE FAA -- READY, BUT UNABLE TO BE FUNDED. IN ADDITION, BETWEEN 1982 AND 1986, THE FAA TURNED DOWN REQUESTS FOR ELIGIBLE AIP PROJECTS WORTH ALMOST $10 BILLION.

THE AIRPORT SYSTEM'S TREMENDOUS SAFETY AND CAPACITY NEEDS ARE FURTHER DEMONSTRATED BY THE FAA'S "NATIONAL PLAN OF INTEGRATED AIRPORT SYSTEMS (NPIAS)" REPORT, IN WHICH THE FAA ESTIMATES TOTAL AIP-ELIGIBLE AIRPORT NEEDS OF $24.3 BILLION OVER A TEN-YEAR PERIOD BETWEEN 1986-1995. AIRPORT SURVEYS SHOW A TOTAL NEED OF ALMOST $30 BILLION OVER THE NEXT FIVE YEARS IF WE CONSIDER NON-AIP ELIGIBLE PROJECTS AS WELL. ACCORDING TO THE FAA, 72 PERCENT OF TOTAL DEVELOPMENT IS RELATED TO INCREASING CAPACITY IN THE AIRPORT SYSTEM TO HANDLE GROWING PASSENGER VOLUMES AND AIRCRAFT OPERATIONS. THE NEXT 17 PERCENT IN REQUIRED AIRPORT IMPROVEMENTS IS ATTRIBUTABLE TO BRINGING EXISTING AIRPORTS UP TO CURRENT DESIGN STANDARDS AND THE REMAINING 11 PERCENT IS NEEDED JUST TO MAINTAIN THE EXISTING SYSTEM.

WHILE WE BELIEVE THE FUNDING LEVELS FOR THE NPIAS PLAN ARE CONSERVATIVE, THE PLAN DOES DEMONSTRATE THAT AIRPORT CAPITAL DEVELOPMENT NEEDS ARE REAL AND THAT ADEQUATE AIP FUNDING NO LONGER CAN BE IGNORED.

DESPITE THE ADMINISTRATION AND OTHERS WHO WILL SAY THE FEDERAL GOVERNMENT CANNOT AFFORD A LARGER AIRPORT GRANT PROGRAM, WE SAY THE FEDERAL GOVERNMENT HAS AN OBLIGATION TO SPEND THE USERS' DEDICATED TAXES IT HAS ALREADY COLLECTED AND WILL CONTINUE TO COLLECT. THE AVIATION USERS WHO, THROUGH THE AVIATION TRUST FUND PAY FOR THE AIRPORT AND AIRSPACE IMPROVEMENTS, ARE DEMANDING HIGHER SPENDING FOR AIRPORTS.

OUR MEMBERS KNOW BECAUSE THEY ARE ON THE "FRONT LINE" DEALING WITH PASSENGERS AND OTHER USERS.

CONTINUING LOW AIP FUNDING WILL NOT SOLVE THE CRITICAL CAPACITY PROBLEMS FACING THE SYSTEM, NOR RELIEVE PASSENGER DELAYS, INCONVENIENCE AND FRUSTRATIONS, ESPECIALLY GIVEN PROJECTIONS THAT AIR TRAFFIC WILL GROW FIVE PERCENT ANNUALLY OVER THE NEXT TEN YEARS TO OVER 600 MILLION PASSENGERS. WE MUST NOW PLAN AND PROVIDE A NEW AIR TRANSPORTATION INFRASTRUCTURE PROGRAM THAT WILL RESPOND TO CURRENT PROBLEMS AND FUTURE NEEDS. ADDITIONALLY, AAAE WOULD LIKE TO TAKE THIS OPPORTUNITY TO EXPRESS STRONG OPPOSITION TO THE ADMINISTRATION'S BUDGET ASSUMPTION THAT THE OPERATIONS PENALTY PROVISION BE RESCINDED FOR FY 1989 AND THAT THE RECENTLY ENACTED TRIGGER-TAX PROVISION AS CONTAINED IN THE AIRPORT AND AIRWAY SAFETY AND CAPACITY EXPANSION ACT OF 1987 BE PERMANENTLY REPEALED. AIRPORTS SUPPORT BOTH PROVISIONS AS WE BELIEVE THEY CAN HELP FORCE THE FEDERAL GOVERNMENT TO SPEND THE AVIATION TRUST FUND REVENUES FOR AIR SAFETY AND AIRPORT IMPROVEMENT INITIATIVES AND NOT FOR BUDGET MANIPULATIONS.

AIRPORT IMPROVEMENT PROGRAM ENTITLEMENT FORMULA

MR. CHAIRMAN, WE WOULD ALSO LIKE TO CALL YOUR ATTENTION TO A MOST DISTURBING DEVELOPMENT WITH REGARD TO THE AIRPORT ENTITLEMENT PROGRAM. INCONSISTENT WITH CONGRESSIONAL INTENT, THE FAA IS PROPOSING LEGISLATION TO REDUCE THE LEVEL OF ENTITLEMENT FUNDS FOR PRIMARY AIRPORTS FROM THE REQUIRED 49.5 TO 40 PERCENT OF TOTAL GRANT FUNDS IN FY '89 AND BEYOND. ALL AIRPORTS DEPEND HEAVILY UPON ENTITLEMENT FUNDS AS THE ONLY GUARANTEED AMOUNT THAT CAN BE USED FOR ADVANCE PLANNING, AND AS YOU REALIZE, AIRPORT CAPITAL PROJECTS ARE NOT ACCOMPLISHED OVERNIGHT. AAAE URGES THIS COMMITTEE TO OPPOSE FAA ON THIS IDEA AND INSTEAD SUPPORT HIGHER AIP APPROPRIATIONS LEVELS AS AUTHORIZED IN THE TRUST FUND REAUTHORIZATION LEGISLATION.

AIRPORT CAPACITY RESEARCH AND DEVELOPMENT

ANOTHER AREA OF VITAL IMPORTANCE TO OUR MEMBERS IS IN THE AREA OF AIRPORT CAPACITY RESEARCH AND DEVELOPMENT. LAST YEAR, CONGRESS AUTHORIZED $210 MILLION BUT ONLY APPROPRIATED $153 MILLION FOR FY 1988 FAA RESEARCH AND DEVELOPMENT (R&D) EFFORTS. ONLY 10 PERCENT OF THAT ALLOCATED WAS FOR AIRPORT CAPACITY R&D. MR. CHAIRMAN, AAAE FIRMLY BELIEVES THAT AIRPORT RESEARCH AND DEVELOPMENT SHOULD HAVE A CONTINUING MINIMUM FUNDING REQUIREMENT OF $25 MILLION ANNUALLY. WHILE NEW AIRPORTS AND NEW RUNWAYS ARE PRIORITIES, TECHNOLOGICAL INITIATIVES WHICH WOULD INCREASE CAPACITY AND PERMIT MORE EFFICIENT USE OF EXISTING FACILITIES NEED DEVELOPMENT FUNDING AND THESE FUNDS SHOULD BE SPECIFICALLY IDENTIFIED. MR. CHAIRMAN, IN THIS REGARD, I EMPHASIZE FUNDING FOR DEVELOPMENT, RATHER THAN RESEARCH.

THE FAA'S FY 1989 BUDGET REQUEST AS SUBMITTED TO THIS COMMITTEE LAST WEEK, DETAILS A NUMBER OF PROJECTS FOR AIRPORT CAPACITY RESEARCH AND DEVELOPMENT WHICH APPEAR TO HAVE REPORTS AS END PROJECTS, RATHER THAN FIELD DEMONSTRATIONS. FOR EXAMPLE, THE "AIRPORT DESIGN AND CONFIGURATION" PROJECT JUSTIFICATION RESULTS IN A REPORT OF EFFICIENT RUNWAY EXIT DESIGN IN 1993. THE "AIRPORT PAVEMENT" PROJECT RESULTS IN A REPORT ON IMPROVED PAVEMENT TECHNOLOGY IN 1993. THE TOTAL COST FOR THESE TWO "REPORTS" THROUGH FY 1993 IS ESTIMATED AT APPROXIMATELY $25.5 MILLION.

CERTAINLY, THERE IS NEED FOR CONTINUOUS RESEARCH. HOWEVER, WITH LIMITED FUNDS, PRIORITIES FOR SAFETY AND CAPACITY ENHANCEMENT PROJECTS MUST BE DETERMINED. IN THIS REGARD, WE WOULD RECOMMEND THAT THE FAA BE DIRECTED TO CONTINUE WITH THE "QUICK SCAN AIRPORT SURVEILLANCE SYSTEM" PROJECT. AS YOU KNOW, TODAY'S AIRPORT SURVEILLANCE RADARS, THE RADAR TRACKING AIRPLANES ON THE AIRPORT, UPDATES THE POSITION OF AN INDIVIDUAL AIRCRAFT EVERY FOUR SECONDS (THE TIME IT TAKES THE RADAR ANTENNA TO MAKE A SINGLE ROTATION). BY UPDATING THE POSITIONS OF AIRCRAFT MORE

FREQUENTLY (FOR EXAMPLE, EVERY SECOND) WE COULD IMPROVE BOTH SAFETY AND REDUCE THE SEPARATION NEEDED BETWEEN PARALLEL RUNWAYS. THIS WOULD IMMEDIATELY INCREASE CAPACITY AT A NUMBER OF CONGESTED AIRPORTS AND PERMIT CONSTRUCTION OF NEW RUNWAYS ON EXISTING LAND AT OTHER AIRPORTS.

THE "QUICK SCAN AIRPORT SURVEILLANCE SYSTEM" IS THE ENHANCEMENT TO TODAY'S AIRPORT SURVEILLANCE RADARS AND WILL INCREASE SAFETY AND CAPACITY. THIS ENHANCEMENT SYSTEM UPDATES AN AIRCRAFT'S POSITION MORE THAN ONCE PER SECOND BY READING THE AIRCRAFT'S TRANSPONDER AS WELL AS THE RADAR ANTENNA AND PROVIDES THAT INFORMATION ON A SINGLE DISPLAY TO THE CONTROLLER. CURRENTLY, THIS PROJECT IS BEING SUCCESSFULLY DEMONSTRATED AT RALEIGH-DURHAM AND SHOULD BE COMPLETED IN FY 1989.

AN ADDITIONAL R&D PROJECT WE WISH TO RECOMMEND FOR THIS COMMITTEE'S CONSIDERATION IS "SIMMOD". SIMMOD, IS AN EXTREMELY VALUABLE COMPUTER PROGRAM FOR IMPROVING THE EFFICIENCY OF AIRSPACE OPERATIONS AND REDUCING THE WORKLOAD INTENSITY OF THE AIR TRAFFIC CONTROLLER. SIMMOD CAN BE USED TO IDENTIFY AND QUANTITATIVELY EVALUATE THE IMPACTS ON CAPACITY, DELAY, AND FUEL CONSUMPTION OF POTENTIAL AIRPORT AND AIRSPACE IMPROVEMENTS OPTIONS AIMED AT INCREASING CAPACITY, REDUCING DELAYS, AND IMPROVING THE EFFICIENCY OF THE AIR TRAFFIC SYSTEM. USING SIMMOD, FOR EXAMPLE, FOR THE BOSTON CENTER AIRSPACE OPERATIONS WOULD REDUCE AIRCRAFT DELAYS BY AN AVERAGE OF 27 HOURS PER DAY. AT $1,600 PER HOUR, THE SAVINGS IN AIRCRAFT DELAYS WOULD EXCEED $43,000 PER DAY.

ESSENTIAL AIR SERVICE

MR. CHAIRMAN, EVERY YEAR SINCE 1981, THE CURRENT ADMINISTRATION HAS ATTEMPTED TO ABOLISH A PROGRAM THAT IS VERY IMPORTANT TO MANY SMALLER AIRPORTS - THE ESSENTIAL AIR SERVICE (EAS) PROGRAM. UNFORTUNATELY, THIS YEAR IS NO DIFFERENT

DESPITE THE FACT THAT CONGRESS JUST LAST YEAR REAUTHORIZED THE EAS PROGRAM FOR ANOTHER TEN YEARS BEGINNING OCTOBER 1, 1988. THE NEW EAS PROGRAM GIVES HUNDREDS OF SMALLER COMMUNITIES DEPENDENT UPON QUALITY AIR SERVICE AN OPPORTUNITY TO EITHER RECEIVE NEW GUARANTEED SERVICE OR ENHANCE EXISTING EAS SERVICE. LOSS OF BASIC ESSENTIAL AIR SERVICE TO MANY OF THESE RURAL COMMUNITIES WOULD HAVE A DEVASTATING IMPACT ON THE ECONOMIC DEVELOPMENT PLANS OF THESE CITIES.

QUITE FRANKLY, MR. CHAIRMAN, IN OUR VIEW TOO LITTLE ATTENTION IS PAID TO THE FACT THAT FEDERAL SUBSIDY FOR LOCAL AIR SERVICE HAS DROPPED SUBSTANTIALLY FROM THE DAYS WHEN SUBSIDIES RAN CONSISTENTLY IN THE $100 MILLION RANGE PRIOR TO DEREGULATION. OVER TIME, THE EAS PROGRAM HAS BECOME MORE EFFICIENT AND RESPONSIVE TO THE AMERICAN TAXPAYERS OVER THE PAST FEW YEARS. WITH THE IMPROVEMENTS MADE TO THE PROGRAM LAST YEAR, WE ARE BOUND TO SEE THE EAS PROGRAM BECOME EVEN MORE PRODUCTIVE. MR. CHAIRMAN, WE URGE YOU AND THIS COMMITTEE TO REJECT THE ADMINISTRATION'S UNREALISTIC REQUEST AND INSTEAD COMPLY WITH LAST YEAR'S CONGRESSIONAL MANDATE BY ADEQUATELY FUNDING THE ESSENTIAL AIR SERVICE PROGRAM IN FY 1989 AND BEYOND.

CONTRACT TOWERS

FURTHERMORE, MR. CHAIRMAN, AAAE ENCOURAGES YOU AND YOUR COLLEAGUES TO CONTINUE FUNDING THE FAA'S CONTRACT TOWER PROGRAM. AIRPORT EXECUTIVES BELIEVE THAT THIS PROGRAM HAS PROVIDED SIGNIFICANT BENEFITS IN TERMS OF AVIATION SAFETY, AS WELL AS ECONOMIC DEVELOPMENT FOR PARTICIPATING COMMUNITIES AT A REDUCED COST TO THE FEDERAL GOVERNMENT. THE PROGRAM, WHICH IS A EXCELLENT EXAMPLE OF HOW LOCAL GOVERNMENTS CAN COOPERATE WITH WASHINGTON TO PROVIDE A NEEDED PUBLIC SERVICE IN SMALLER COMMUNITIES, SHOULD BE EXPANDED WHERE APPROPRIATE.

CITY OF PHILADELPHIA

STATEMENT OF WILLIAM P. HANKOWSKY, DIRECTOR OF COMMERCE

I am William Hankowsky, the Director of Commerce for the City of Philadelphia. James DeLong is Director of Aviation for the City. As Director of Commerce, I am responsible for airport and economic development for the City. I want to thank the Subcommittee for the opportunity to advise you of a matter of great importance to our tri-state region and for which we seek your support.

Philadelphia critically needs sufficient funds under the FAA's Airport Improvement Program (AIP) to enable the City to complete several major development projects at Philadelphia International (PHL) and Northeast Philadelphia Airports (PNE). The people of the Philadelphia tri-state area are very grateful for this Subcommittee's support in the past and its recognition of the City's AIP projects in report language. We also greatly appreciate the time you took to visit Philadelphia International last fall, Mr. Chairman, to discuss our plans for the Airport. We hope for your continued support.

I. PHILADELPHIA NEEDS $36.9 MILLION IN AIP DISCRETIONARY FUNDS FOR FY 1988 THROUGH FY 1990.

A. Philadelphia International and Northeast Philadelphia Airports Must Be Expanded to Meet the Tri-State Region's Demand for More and Improved Air Transportation Services.

The City is the owner and operator of two airports, Philadelphia International Airport and Northeast Philadelphia Airport. These two airports serve the entire tri-state region of Pennsylvania, New Jersey and Delaware, a

metropolitan area of about 6 million people. Philadelphia International is a primary airport, while Northeast Philadelphia is a reliever airport.

In 1987, Philadelphia International handled 15.4 million passengers and approximately 418,000 flight operations. Even though Philadelphia International's traffic places it among the nation's top twenty-five leading airports, its ranking remains relatively low given that the airport serves the nation's fifth largest metropolitan area. Expansion is essential to providing the tri-state region the increased service it needs and deserves.

PHL underwent its last major facilities expansion phase in the early 1970s with the construction of the existing passenger terminals and a second parallel runway. Since then, while most other airports have expanded, PHL has been relatively stable. However, traffic at PHL increased significantly during this ten-year period. Between 1977, one year after the existing passenger terminals opened, and 1987, the number of passengers at PHL almost doubled from 8.6 million to 15.4 million per year, an additional 6.8 million passengers. Much of this growth has been recent. In fact, for 1987, the number of passengers increased about 20 percent over the prior year. The number of operations has also grown substantially, from 331,000 in 1977 to 418,000 in 1987, an additional 87,000 operations, or a 26 percent increase.

This dramatic growth in traffic will continue. USAir and Eastern Airlines established hubs at PHL in 1987, and United Parcel Service has started construction of its new

$130 million East Coast distribution hub, which will begin operations later this year. As a result of this tremendous increase in traffic over the past decade and the increase expected in the next few years, PHL urgently needs to expand its facilities to meet the aviation needs of today and the 1990s.

The Department of Transportation and the FAA have clearly recognized the seriousness of our capacity problem and the need for expansion at PHL. Last year, the Department of Transportation authorized airlines at several airports to engage in scheduling discussions to alleviate congestion during certain peak hours. Out of all the airports in the country, the DOT determined that congestion problems were serious enough to warrant discussions for only five airports, one of which was PHL. Although certain scheduling changes were adopted, this approach cannot alleviate the serious congestion at PHL. Recent reports have placed our airport among the ten worst in the nation in terms of delays, with about 30 percent of flights operating 15 minutes or more behind schedule. The only responsible way to address this problem is by expanding capacity, not curtailing service. We remain determined to adopt this positive approach by continuing existing projects and initiating new ones which will help us meet the tri-state region's growing air service needs.

Our Mayor W. Wilson Goode recently announced plans for a comprehensive $315 million, six-year modernization program for the Philadelphia International Airport. This program is coupled with an ongoing $135 million capital

program at PHL. Thus, over the next several years, PHL plans to implement a development program totaling approximately $450 million.

Most of the modernization program will be funded by the City, the airport and the air carriers themselves. The major components of the program include:

- o completion of our new International Terminal, construction of which began in October 1987;
- o airfield improvements, including new taxiways to serve as high-speed turnoffs for arriving aircraft;
- o resurfacing of one of PHL's two primary runways;
- o relocation of PHL's other primary runway;
- o construction of a proposed new runway at the northeast section of the airport;
- o rehabilitation of Terminals B, C, D and E over the next three years;
- o heating, ventilation and plumbing improvements throughout the terminals;
- o construction of a five-story parking garage to accommodate 2,800 additional vehicles at the airport; and
- o construction of a new 400-room hotel, scheduled for completion in approximately three years.

Implementation of this extensive construction program will assist our airport in meeting the increasing air

travel needs of the Northeast by enabling us to accommodate upwards of 50 million passengers annually by the year 2008. The renovations will transform PHL into a world-class airport and will enhance its role as a major economic generator for the City and the entire region. Under this plan, we hope to match the economic contributions made by the Atlanta International and Dallas-Forth Worth Airports to the economic development of their respective regions. Toward that end, Mayor Goode has appointed an Airport Advisory Committee, a 14-member group of government and business leaders to function much like a corporate board of directors for the Airport.

While most of these projects will increase PHL's capacity, we also must point out that several projects must be completed as soon as possible simply to maintain existing service, much less expand! We understand that projects involving the rehabilitation of existing facilities do not always get the same attention as the construction of bright, shiny new facilities, but these projects are just as critical to our overall capacity. Without them, service will simply deteriorate.

To complete the necessary projects at PHL, Philadelphia issued bonds in the amount of $111.4 million in 1984 and 1985 and is contemplating an additional $100 million bond issuance this year. In addition, every dollar of revenue generated by the airports is plowed back into the airports to cover costs.

As you can see, Mr. Chairman, the City has made a major commitment to increase capacity at PHL. Nonethe-

less, despite the City's efforts, these funds are simply not enough to get the job done. Given the role our airport plays in the national air transportation system, and the enhancement of the national system which these projects would reap, federal assistance is appropriate and necessary.

Since FY 1981, PHL has received approximately $3.9 million in AIP discretionary funding, a relatively small amount in light of the increasing demands we have faced. This fiscal year, PHL requires a total of $13 million in AIP discretionary funds, in addition to approximately $6 million in entitlement funding we expect to receive. We hope that the full amount in discretionary funding will be granted, given the Congressional mandate, as set forth in the House, Senate and conference reports accompanying the Fiscal Year 1988 Transportation Appropriations Act, directing the FAA to grant PHL high-priority funding consideration. We hope to receive an additional $13.6 million in AIP discretionary funds in FY 1989, and we anticipate needing about $10.3 million in AIP discretionary funding in FY 1990.

Considering the overwhelming capacity needs of PHL and the outlook for the future, these funding levels are modest, particularly in light of recent AIP funding received by airports facing similar demands. This level of federal funding is necessary if we are to begin to provide the air transportation services the public needs and deserves today and in the 1990s. We look forward to working with you to achieve these goals.

B. Philadelphia International and Northeast Philadelphia Airports Have Several Important Projects Requiring AIP Assistance.

The various projects the City is undertaking, the reasons they are so critical to operations at PHL and PNE and the specific AIP funding needs are as follows:

1. The International Terminal.

The City's largest aviation project is the construction of a new International Terminal at PHL. International flights presently use a forty-year old hangar that was converted to a terminal about 15 years ago. Replacement of this aged facility is long overdue. The new terminal will have 11 gates, customs and immigration facilities, and the capacity to handle up to 3 million passengers per year. The construction project includes terminal facilities, aprons, aircraft loading bridges, and related improvements to baggage claim roadways. Construction began last fall, and the project is scheduled for completion in the spring of 1990. The new International Terminal will allow PHL to increase its international air service, including new international carriers and new feeder service. As evidence of the desperate need for this project and the City's commitment to it, the City has issued bonds to cover about $54 million of the project costs and expects to issue an additional $10 million in bonds this year.

The major portion of the International Terminal project for which we are seeking AIP assistance is construction of the apron for the terminal and the terminal build-

ing itself. The total estimated cost for the apron is $18.8 million, with $14.1 million derived from AIP funds. We have spent $6.4 million of our AIP funds to date for this project, and will require $7.7 million in AIP money for FY 1988.

For the International Terminal building, estimated to cost a total of $66.0 million, $14.2 million in AIP funding is required, $7.2 million in FY 1988 and an additional $7.0 million in FY 1989. PHL actually is eligible to receive $31.2 million in AIP funding for the terminal building but will fund the difference from local sources.

In addition to funding for the apron and International Terminal building, we are seeking $3.8 million in AIP funding for landside facilities, including roadways. Of this amount, $700,000 has been requested this fiscal year, with the remaining $3.1 million required in FY 1989.

2. Taxiway Construction and Runway Restoration.

Six taxiways must be constructed to accommodate PHL's overall expansion, including the International Terminal and the United Parcel Service facility. These taxiways will reduce taxiing time and fuel consumption while increasing PHL's airfield capacity. The total cost will be approximately $12.1 million, and the City will pay $6.4 million of the costs. Although PHL is eligible to receive about $7.7 million in AIP funding for the taxiways, we are seeking only $5.4 million in AIP funds and will use local

funds for the balance. About $155,000 in AIP funds was used for preliminary design work prior to FY 1988; $216,000 will be used for continued design work during FY 1988; and the balance of $5.0 million will be used in FY 1989.

One of PHL's two primary runways, 9R-27L, which was constructed in 1971, is showing signs of wear and requires extensive resurfacing work to restore the crown and grade for proper smoothness and drainage. Since the taxiway construction will affect operations on 9R-27L, it makes sense to do the runway restoration along with taxiway construction. Thus, the runway design work will be done in FY 1988 and the actual restoration work in FY 1989. The total cost will be approximately $5.7 million, of which $4 million would be in AIP funds. The full amount will be required in FY 1989, when construction is scheduled to commence.

We also plan to relocate and upgrade runway and taxiway signs, at a total cost of $544,500. Of that amount, PHL will require approximately $408,000 in AIP funding in FY 1988.

3. Construction of a New Runway.

Existing projects undoubtedly will help alleviate the current capacity shortage which PHL faces; however, additional steps will still be necessary to address the problem. Therefore, we intend to construct a new runway at PHL, to be located at the northeast part of the airport. The estimated cost of the new runway, coupled with relocation of one existing runway, extension of another,

and associated taxiway work, is $130 million. Of this amount, $40 million will fund land acquisition for the new runway, while the remaining $90 million will be allocated to construction. Assuming plans for the new runway and associated improvements proceed, PHL would be eligible for $98 million in AIP funding for the project. For the design, engineering work and land acquisition, $16.5 million would be needed in FY 1990, with an additional $2.5 million in FY 1991. An additional amount would be needed in FY 1992 and beyond.

Mr. Chairman, this is a project about which we are all excited because it has the potential to alleviate significantly the serious capacity problems we face today. The new runway would be used exclusively for commuter aircraft and would free up our other runways for additional major air carrier operations, thereby significantly increasing PHL's capacity.

4. Airport Master Plan.

In view of the need to increase capacity at PHL and to better respond to the aviation needs of the 1990s, we will undertake preparation of a new, comprehensive Airport Master Plan. The contract for the project will be let in FY 1989. The total cost will be $1.5 million, $1.35 million of which will be required under AIP in FY 1989.

5. Runway Safety Area.

PHL is in the process of acquiring property at the approach end of Runway 9R-27L for construction of an ex-

tended safety area. We already have acquired a commitment of $637,000 in AIP funds for the runway safety area, and we expect to acquire the land in FY 1989.

6. Northeast Philadelphia Airport.

Northeast Philadelphia Airport, an important reliever airport which handled 195,879 operations in 1987, is a key component in the region's air transportation system. Further enhancing the role of PNE in our community, Agusta Aviation Corporation, the world's fourth largest manufacturer of helicopters, recently signed a long-term lease with our Department to erect its North American corporate headquarters at the airport.

A subsidiary of Gruppo Agusta SPA, based in Milan, Italy, Agusta is building offices and a helicopter finishing plant on a 10-acre site. The Philadelphia Industrial Development Corporation provided $4 million in financing for the 75,000-square-foot facility. Agusta's decision to locate at PNE undoubtedly will generate further private development adjacent to the airport. The City plans to construct a taxiway and service road to accommodate this growth. The estimated cost of the work is $3.2 million, of which $2.8 million will be required from the Airport and Airway Trust Fund in FY 1988.

C. Philadelphia's Airport Projects Will Respond to the Federal Capacity Mandate.

As we have indicated, for the City to complete these projects, and thus be able to meet the current air transportation needs of our large and populous tri-state re-

gion, will require substantial discretionary funds in addition to what Philadelphia would normally receive under the entitlement program. However, this funding would be consistent with federal goals for the national air transportation system.

In reauthorizing the AIP last year, Congress restructured the program guidelines to make additional funds available for capacity enhancing projects. The Administration's budget guidelines for grants-in-aid to airports for FY 1989 stated that "a high level of priority of the administration will be to direct these funds toward improvements that will enhance national airway system capacity." Our projects meet that criterion. In fact, an initial study prepared for the City in January indicates that construction of the new runway, coupled with the new taxiways and other airfield improvements, could increase capacity at PHL by as much as 50 percent. Furthermore, Mr. Chairman, these projects are critical if Philadelphia is to have a safe, efficient air transportation system capable of meeting the current needs of one of the nation's largest metropolitan areas.

II. CONCLUSION

In conclusion, we urge the Senate Transportation Appropriations Subcommittee to fully fund the AIP at the maximum level of $1.7 billion for FY 1989 and, when funding comes up next year, the maximum level of $1.7 billion for FY 1990. Moreover, we respectfully request that the Subcommittee once again direct the FAA to give

priority consideration for awarding the necessary discretionary funds for Philadelphia's airport projects.

Mr. Chairman, I thank you for the opportunity to advise this Subcommittee of our AIP funding requirements for Philadelphia International Airport and Northeast Philadelphia Airport. The tri-state region greatly appreciates the support you have given us in the past and hopes to receive your continued support.

NATIONAL ASSOCIATION OF AIR TRAFFIC SPECIALISTS

STATEMENT OF BRUCE B. HENRY, PRESIDENT AND EXECUTIVE DIRECTOR

Mr. Chairman and distinguished members of this Subcommittee, I am grateful that you have provided me with the opportunity to express my thoughts and opinions relative to the 1989 Budget Requests of the Federal Aviation Administration

The Flight Service System is an integral part of the Air Traffic Control System. There are approximately 260 flight service stations throughout the United States. The personnel who staff the Air Traffic Control System are divided into three options and are designated by the Office of Personnel Management as Series 2152. They are called:

1. Air Traffic Control Specialists (station);
2. Air Traffic Control Specialists (terminal);
3. Air Traffic Control Specialists (center).

This association is designated by the Secretary of Labor as the exclusive representative of all the bargaining unit members who are Air Traffic Control Specialists (station), Series 2152. Additionally, all of these personnel are statutorily designated as Air Traffic Controllers (5 USC 2109).

While many believe the Flight Service System is only a distribution point for aviation weather products, a review of the mission, as published by the Federal Aviation Administration, describes a myriad of other functions vital to aviation safety.

Flight Service Stations

> The flight service station portion of the air traffic control system consists of an extensive network of landline teletypewriter circuits, point-to-point radio circuits, air-ground radio channels and related equipment for the exchange of air traffic control information, and for flight assistance services.
>
> The primary functions of the flight service station system are: (1) the provision of flight assistance (pre-flight, in-flight, and emergency) and (2) the collection and distribution of meteorological and aeronautical information. Flight service stations provide pilot weather briefings and flight planning services to all categories of civil aviation. All VFR flight plans are handled by the flight service station system. IFR flight plans are received by flight service stations and transmitted to air route traffic control centers. Flight service stations also operate the military flight service system, sending flight notification messages to the destination base operations office for all itinerant military flights. In an average year, flight service stations also take approximately half of the nation's first

order civil weather observations and operate the aviation weather telecommunications system.

An example of this performance may be found in the following chart, which provides information relative to flight assists (when pilot, crew, and passengers are in jeopardy) or "saves" by Air Traffic Control Specialists over a time span of seven years. Please note that percentages for Flight Service are very high when one considers that the system is only endowed with one-fifth of the total controller work force.

FLIGHT ASSISTS

CALENDAR YEAR	TOTAL	PEOPLE ON BOARD	FLIGHT SERVICE SYSTEM	TERMINALS	CENTERS	FLIGHT SERVICE SYSTEM - PERCENT
1980	2,695	5,413	954	1,206	535	35.4
1981	1,933	3,654	867	777	289	44.8
1982	959	1,899	462	358	139	48.2
1983	1,005	2,323	459	406	140	45.7
1984	1,069	2,852	404	467	198	37.8
1985	1,181	2,093	436	529	216	37.0
1986	1,184	2,348	419	563	202	35.0

Source: Hearings records of the House Appropriations Subcommittee on Transportation

The most serious problem in the Flight Service System is the shortage of personnel necessary to fulfill the requirements of FAA's stated mission.

The Chairman and members of this Subcommittee are well aware that FAA's budget estimate, year after year, recommends a reduction of staffing positions in the Flight Service System. It appears to us that such recommendations are based on their *plan* of action, developed years ago, rather than events that are actually happening on a current day to day basis.

We all know that the real world of Flight Service modernization is years behind the FAA's stated time schedule.

We are eternally grateful that this Subcommittee and the Congress have disapproved the FAA's recommendations and have established the Flight Service manning level at 4410 positions, both in Fiscal Years 1987 and 1988.

For Fiscal Year 1989, the FAA is again requesting a reduction — this time for 192 full time positions. This reduction is in spite of the Congressional mandates of the past two Fiscal Years.

Of equal concern is FAA's apparent unwillingness to fill positions up to the authorized strength. On January 31, 1988, there were 4,065

positions filled. Of that number, there were 2,791 full performance level journeymen, 292 developmentals, 89 automation specialists, and 3 trainees, for a total of 3,175 workers. The remaining 890 positions occupied were management/staff personnel, for a ratio of one manager for every 3.6 workers. The basis for these statistics is FAA Report dated February 4, 1988, included herewith as Attachment #1.

We consider the Flight Service structure to be extremely top heavy and that it should be adjusted to provide more attention to pilots and flight safety, and less attention to paper work and administration. Such adjustment would save money and enhance safety.

We congratulate the Congress for its initiative in halting further FSS closures and consolidations until the affected area is served by an automated flight service station with Model I equipment or better. This initiative was so well received that it was later included as statutory language in PL 100-223. This action was taken in the interest of aviation safety and does require more personnel in the short term to operate the system — not less, as FAA contends. This is in line with Secretary Burnley's recent statement: "It has been necessary to use the bureaucratic equivalent of a cattle prod to get the FAA to take the necessary safety actions."

Similarly, Administrator T. Allan McArtor stated, before the House Committee on Public Works and Transportation: "Likewise, we should end the heroic attitude the post-1981 strike generated: stop thinking we can do more with less, admit that airspace management means more than separating aircraft, and plan for more non-traffic-related controller work."

These are general statements, of course, but they highlight the problem areas that face the Secretary and the Administrator, as they perceive them.

The FAA is well known for its shortages of air traffic controllers at centers/towers, for its shortages of inspectors, for its shortages of maintenance personnel, and for its shortages of flight service controllers. We can only infer that the FAA is unwilling, unable, or does not know how to determine manpower requirements and skills to comply with its statutory mission.

Implementation of law by Regional Directors is another problem area. Clear direction to lower echelons sometimes goes awry and is not clearly understood by field activities.

For example, Attachments #2 and #3 set forth one such occurrence. On February 9, 1988, the NAATS Southwest Regional Director invited the attention of the FAA's Regional Director to an apparent violation of the Solomon Amendment (Model I or better - an amendment to PL 100-223). In his response of February 25, 1988, the FAA Regional Director inadvertently admitted violation of two provisions of law (Solomon Amendment - Model I or better, and 49 USC 2224 — equal or better service) in one sentence. It is quoted:

> "Although the operational hours at these facilities have been, or will be, reduced, we are utilizing the *shared service concept, which allows reduction* in hours with *minimal* loss of service." (Italics supplied)

The Southwest region covers Arkansas, Louisiana, New Mexico, Oklahoma and Texas.

In the matter of personnel shortages, we do not stand alone. In February, 1988, the GAO published a report on an in-depth study entitled: "Aviation Services - Automation and Consolidation of Flight Service Stations" (GAO-RCED-88-77). In our view, the most important conclusion and recommendation in the report states:

> "The most pressing problem at the moment relating to the FSS modernization program is staffing. While reductions in the flight service specialist work force have occurred, they have not been matched by a comparable gain in productivity because of consolidation and automation delays. Further delays in closing FSSs may continue the problem. If the work force is reduced further, more FSSs may have to temporarily close or reduce their hours of service, resulting in increasing time periods when no weather observations are made. How many staff FAA actually needs will not be known, however, until FAA has developed performance and staffing standards for the automated FSSs.
>
> "Therefore, we recommend that the Secretary of Transportation direct the Administrator, FAA, to
>
> - not further reduce the flight service specialist work force until after the FSSs are closed and performance standards and staffing levels can be developed for the automated FSSs and . . . "

We believe that the status of the personnel shortage situation was best described by a high level FAA witness in the House Appropriations hearing record for Fiscal Year 1983 (page 611 - Part 6).

In response to an important question asked by the Chairman, relative to staffing reduction, the FAA witness stated:

". . .*For the most part*, the essential services have been maintained and continue to be maintained." (Italics supplied)

We believe that the witness is correct. We believe that's the way it is now.

However, "For the most part," which could be as low as 51%, is not good enough for aviation safety and it's not good enough for NAATS.

Our goal is 100%, and we strive toward that end.

We recommend funding for 4410 positions for FY 1989, with a mandated end-of-year on-board personnel strength of 4410.

Thank you, Mr. Chairman and Members of the Committee.

[ATTACHMENT 1]

AIR TRAFFIC FACILITY STAFFING - FLIGHT SERVICE STATIONS
SOURCE: PMIS TAPE -END OF JANUARY 1988
PREPARED BY: ATR-700

POSITION TITLE	GS 7	GS 9	GS 10	GS 11	GS 12	GS 13	GS 14	GS 15	OTHER	POS TOTAL
TRAINEE	0	1	0	0	0	0	0	0	2	3
DEVELOPMENTAL	132	128	0	32	0	0	0	0	0	292
FPL-NONRAD VFR	0	119	828	1844	0	0	0	0	0	2,791
AREA MANAGER	0	0	0	7	6	28	0	0	0	41
ASST AT MANAGER	0	0	0	0	4	40	0	0	0	44
A.T. MANAGER	0	0	0	107	21	21	50	0	0	199
AREA SUPERVISOR	0	0	0	86	320	0	0	0	0	406
TRAINING SPEC.	0	0	5	40	0	0	0	0	0	45
QUALITY ASSR SP	0	0	0	9	0	0	0	0	0	9
AUTOMATION SPEC	0	0	0	89	0	0	0	0	0	89
QUAL. & TR. SP	0	0	4	43	0	0	0	0	0	47
ASST MGR, XXXXX	0	0	0	0	72	0	0	0	0	72
PLANS & PROC SP	0	0	0	22	0	0	0	0	0	22
PROGRAM SPEC.	0	0	0	5	0	0	0	0	0	5
OPTION TOTAL	132	248	837	2284	423	89	50	0	2	4,065

[ATTACHMENT 2]

LETTER FROM WALTER W. PIKE, SOUTHWEST REGIONAL DIRECTOR, NATIONAL ASSOCIATION OF AIR TRAFFIC SPECIALISTS

February 9, 1988

Mr. Larry Craig
Air Traffic Division Manager, ASW-500
Fort Worth, Texas, 76193-0500

Dear Mr. Craig:

The Solomon Amendment to HR2310 under General Rule states: "On or after July 15, 1987, the Secretary shall not close, or reduce the hours of operation of, any flight service station in any area unless the service provided in such area after the closure of such station or during the hours such station is not in operation will be provided by an automated flight service station with model 1 or better equipment".

It is the opinion of NAATS that the part-timing of ELD, ELP, SAT and any other station whose services will be assumed by a non-automated FSS is in violation of this amendment.

Your attention to this matter is appreciated.

Sincerely,

Walter W. Pike

Walter W. Pike

cc: NAATS HQ
SW RegCo
SAT Facrep
SJT Facrep
ELD Facrep
ABQ Facrep
ELP Facrep
LIT Facrep
Files

[ATTACHMENT 3]

LETTER FROM LARRY L. CRAIG, MANAGER, AIR TRAFFIC DIVISION, FEDERAL AVIATION ADMINISTRATION

Mr. Walter W. Pike
Southwest Regional Director
National Association of Air Traffic Specialists
6905 Red Fox Trail
Fort Worth, TX 76137

FEB 25 1988

Dear Mr. Pike:

This responds to your letter of February 9, 1988.

When the Solomon Amendment to H.R. 2310 was enacted on July 15, 1987, the consolidation of San Antonio FSS into San Angelo AFSS was already in progress. Employees had been issued travel orders, and many had sold homes and already purchased new ones. Permanent change-of-station moves to San Angelo began as early as May 10, 1987. Because consolidation had progressed this far when the rules were changed, special allowances permitted continued transition, using the shared services concept. San Antonio FSS still provides pilot weather briefing services and has not been decommissioned as originally planned.

The hours of operation at El Dorado and El Paso FSS's have been temporarily reduced because of staffing shortages. Budget and staffing limitations created an emergency situation which could not be rectified without reducing the operational hours of certain facilities. Although the operational hours at these facilities have been, or will be, reduced, we are utilizing the shared services concept, which allows reduction in hours with minimal loss of service.

The Southwest Region has the best FSS program in the Federal Aviation Administration. Our goal is to maintain that status. When running a program as vital as the FSS system, decisions which are beneficial to the overall progam must be made.

Please be assured the Southwest Region Air Traffic Division will continue to make these difficult decisions within the guidelines of the Solomon Amendment.

Sincerely,

Roger Wall

-3

for Larry L. Craig
Manager, Air Traffic Division

PROFESSIONAL AIRWAYS SYSTEMS SPECIALISTS

STATEMENT OF HOWARD E. JOHANNSSEN, PRESIDENT

PASS appreciates this opportunity to be here today to discuss several issue's that we are all concerned with: the budget justifications of the FAA's FY 1989 appropriations request. These hearings are critically important in that they must address the dramatic threat to aviation safety brought about by the reductions in staffing levels that have occurred in our profession within the last six years. In addition, we are also strongly opposed to the continued consideration of contracting out the valuable services FAA employee's provide to this nation and the controversial introduction of the King Air 300, into our flight inspection, program.

In our testimony we will show the effects that these concerns are having on the safety and efficiency of the National Airspace System. In regards to staffing, we are encouraged that FAA is seeking to increase systems specialists and flight inspection staffing, however, they may be to late to prevent a tragic aviation disaster in the near term. Contracting out has been raised as a possible alternative to present staffing problems. Once again we say contracting out is not a workable alternative, just as congress has determined in previous years. Finally, we will make recommendations on ways you and your distinguished colleagues in the House and Senate may be able to minimize this life threatening trend that the FAA is facing.

We know that Congress does not take its responsibilities lightly. This has been proven time and time again. Recently, one needs only to recall the success in convincing the Department of Transportation and the FAA to agree to hire many new controllers and inspectors. This came about after public pressure and concerns relating to true air traffic controller and inspector staffing numbers became known to the Congress. Once the knowledge of the possible negative safety impact caused by inadequate staffing levels were having on the efficiency and safety of the system was realized, congressional action was swift and effective. All we ask, Mr. Chairman, is that you and the members of this subcommittee understand that our problem is as critical. We need budget support to dramatically hire and train new systems specialists. It is necessary, and must be provided immediately if we are to rebuild FAA's technical workforce.

We are before you today because FAA is not only inadequately staffed, but is losing personnel at a disastrous rate. As this Subcommittee is aware, seven years ago our profession had over 11,000 systems specialists maintaining approximately 19,000 FAA facilities and systems throughout the nation. At that time we had one of the most reliable and well functioning systems in the world for aviation users. This is no longer the case. In just a few short years, our professional ranks have been reduced to under 6,000 specialists maintaining approximately 23,000 facilities and complex electronic systems, as well as the awesome responsibility for flight inspection of this nations airways. These systems are the very backbone of this country's

aviation network and, in some way, affect each and every citizen and every user of our nation's skies.

Systems specialists install, maintain and certify the complex sophisticated systems that are the eyes and ears of the controller. We provide the navigational aids and communications systems pilots depend on to travel from point A to point B. When a pilot has to land in bad weather at an airport, regardless of size, the landing systems we are responsible for enable him/her to land safely. Our systems enable air traffic controllers in the centers, towers and flight service stations to locate lost pilots through directional finding. It is also our systems which enable them to pass flight information and other air traffic data on to the numerous ATC facilities. Our systems allow pilots to save their companies millions of dollars annually because they are now able to take their delays on the ground instead of burning precious fuel in the air. We maintain and certify everything from the complex airport runway lighting systems to the most complicated computers that actually track and identify active aircraft. There would be no current National Airspace System if it were not for the dedicated work and professionalism demonstrated by our members.

We must caution the subcommittee on outright acceptance of staffing information provide by FAA for these hearings. We were shocked to learn of FAA's FY1988 Budget response to Senator D'Amato's question on the NAS PLAN - IMPLEMENTATION DELAYS. In part the senator asked, "How do NAS Plan delays affect FAA's effort to add controllers and improve productivity of its technical workforce?". In respond FAA stated, "Although the projected airways facilities maintenance workload requirements are above those originally projected, the FY 1988 workload has decreased 20 percent from the 1980 level." This statement by FAA is not only misleading the Senator, but is untrue! As we stated earlier, the number of facilities have increased dramatically since 1980 and number of qualified people to maintain them have been reduced by almost half. The truth is that the work is not getting accomplished as it should be. Air traffic facilities normally manned with systems specialists are routinely left unmanned or staffed with less than fully qualified systems specialists. The period between routine preventive maintenance has been increased and some maintenance tasks are no longer accomplished at all.

We are gravely concerned for the continued safety of the flying public and are frustrated that it has been jeopardized by the DOT/FAA's mismanagement. Is there a problem? There certainly is!. From a briefing given by the Associate Administrator for Development and Logistics to the FAA Regional Directors in March of 1986, we quote:

"[The] AF Mission: To operate and maintain a safe, reliable, and cost effective NAS."

"[The] Issue: FY-86 and future funding and employment level will jeopardize implementation of the NAS Plan and maintenance of the national airspace system."

"[The] Problem: Airway Facilities staffing has diminished to a critical level. Reductions in FY-86 funding and the

FY-87 SM [Systems Maintenance] request has seriously eroded program capability. Continued maintenance of NAS at current mandated level and quality will soon be impossible."

These are not the words of our union, PASS, or a consumer group. They were the words of the highest level of the federal agency, and they were the guardian of our skies in 1986. You need only to review the testimonies of FAA before various committees of both the Senate and the House to see that a prophecy is being fulfilled.

Although FAA knew of the importance and compelling need to reinforce it's technical workforce in early 1986 they did not request additional positions until this 1989 FY budget request. The agency now recognizes and admits to these problems, but why has it taken so long, two years, to take steps to alleviate the situation? The answer we receive is "budgetary constraints." We cannot explain or justify, then, why the agency did not come to you earlier to ask for the funds necessary to start the large-scale hiring that was needed. For years we have been warning that this situation would occur. FAA was wrong when they stated that new systems and increased automation would solve the staffing problem. Today we are well below the staffing numbers that the agency sought to reduce by implementing the NAS plan and suffer from poor working conditions and low morale. In fact, we do not yet have the systems that NAS implementation programs promised would enable us to continue our proud professionalism in maintaining the integrity of the flying public's safety. FAA has made so many midcourse corrections and continues to absorb years of equipment design and delivery delays that today only a major hiring and training program will suffice.

After years of trying to convince the FAA to lift the hiring freeze by our organization, the FAA "lifted" it. They now appear before you and say there is no longer a hiring freeze for systems specialists. Unfortunately, they still do not come before you and say that there is a serious hiring program to establish a minimum mandated level of qualified technical employees. We believe a similar hiring program as established for the other employee safety components in FAA is called for. We believe that the current FAA management officials are dedicated to rebuilding the technical workforce but, without mandated congressional minimum staffing levels their allocations for positions may well be sweep away from them for other programs.

Currently, FAA is requesting 10,399 FTEs for the FY 1989 Budget. The on board estimate for EOY 1989 FTEs is only 9,965 FTEs. In other words, 434 FTEs short of the budget request. Therefore, we will continue with reduced staffing levels for all FAA maintenance activities. Field maintenance requirements for the FY 1989 Budget requests 9,278 FTEs. The on aboard EOY 1989 estimate is only 8,900. In other words, 378 FTEs short of the budget request. The FTEs for field maintenance activities includes managerial, engineering support personnel and systems specialists. The technical workforce of today, qualified and doing the job is less than 5,800 FTEs. Simply said "We have a big problem". A full thirty percent (30%) of the best qualified and experienced employees can retire in the next three years. To

drive the point home, today FAA is operating at eighty four (84%) of it's own staffing standard. They openly demonstrate that on the very best case scenario, sixteen percent (16%) of the routine work is left unfinished. Certainly any airline completing only that portion of their routine maintenance would be heavily fined by FAA. We must ask how can FAA justify this poor maintenance philosophy?

Obviously, WE STRONGLY URGE, that this congress, mandate realistic field maintenance systems specialists staffing levels to increase from 5,800 FTEs to 9,000 FTEs over the next five years. The FY 1989 Budget should mandate the hiring of 1400 FTEs for this purpose. The positions mandated will help only in that the new hires will be on board to start a training program. It will take three to five years before they become certified and active in maintaining the systems used in our nations air traffic control system. To allow FAA to hire a couple of systems specialists a month will never solve the problem when more leave through the back door than come in the front door. We must also remember that Gramm-Rudman applications could severely damage efforts to rebuild our workforce. This occurred once before and should not be allowed to happen again. These critical safety employees should be exempt from Gramm-Rudman or any other hiring freezes.

Some facilities are now so short staffed that watch schedules and assignments to watch schedules are being changed in spite of contractual obligations. More and more facilities are cutting back on hours of operational coverage. They are reducing from 24 hour coverage to 16 hour coverage, from 16 hour coverage to 8 hour coverage, from 7 day a week coverage to 5 days a week. We feel this change is unsafe and has been brought about by a lack of staffing. This frustrates our organization. We have asked FAA, on a number of occasions, to implement and utilize the Congressionally-approved alternate work week schedules. This would allow us greater flexibility and provide broader hours of coverage for the flying public. These requests at local, regional and national levels have all been denied because the agency could not obtain the Secretary of Transportation's approved. This lack of approval has put undue constraints upon the ability of the union and FAA managers to try and minimize the problem of personnel shortages. Instead, the agency reduces coverage and allows shifts that should be covered to go unmanned, or in many cases manned with trainees not certified to work on the equipment, jeopardizing the safety and reliability of the overall system. In our opinion, this is nothing more than a flagrant violation of the trust the public has placed in FAA to insure their safety in the skies.

Staffing has diminished to where we must seriously question how effective training will be in the future. Even if the new employees are hired, have we experienced such a "brain drain" that the on the job instruction they will be receiving may not be much better than the instruction many controllers currently receive. You have heard from controllers concerning their frustrations and problems with being checked out in a position one day, and the next day being assigned a trainee. This situation will soon repeat itself in the technical work force area. Because of the length of

time needed to conduct training, usually two to five years is required depending on complexity and number of systems. We must begin hiring now. This is the only answer if we are to preserve the critical and mandatory skill abilities in our profession. Once the current expertise is gone, it cannot be replaced. We are once again frustrated with the agency in this regard. Had the FAA come forward in previous years with this problem, the Congress could have properly addressed and corrected it then. The agency's silence has now placed you in the precarious position of being forced into a process to react rather than prevent. The time needed for the Congress to react now further escalates the problem.

A possible course of action for this Congress to consider that would help alleviate the problem of "brain drain" is to enact legislation, for a period not to exceed 6 years from date of enactment, that creates a bonus or incentive to encourage the members of our work force not to retire. Believe us when we say that our members are not encouraged to continue their federal careers. When their retirement system is under continual threat and talk of contracting out their jobs is unending, the tendency is "to get what you can, when you can, and get out." These professionals have worked long and hard for their retirement and are very deserving of finally being able to spend their senior years in a normal life style. By normal, we mean a life style absent of working rotating shifts, being called out to repair facilities at any time of night in all types of weather, and working under constant pressure and frustration. In fact, for the first time in FAA employment history the systems specialists "Burnout Rate", recorded by FAA's own surveys, is twice as high as that of the air traffic controller workforce. The only way that we can see to encourage these individuals to stay in federal service as well as attract high caliber hires is through a comprehensive study to realign series classification to higher grade determinations, bonuses or incentive programs.

We realize the financial constraints placed upon the government. You, in turn, must realize the constraints upon the future of aviation. When a work force is projected to lose over 30 percent of its employees by FY 1990 due to better jobs elsewhere, career promotions and retirement, we are in trouble. The corrective action must be innovative as well as drastic. The idea of bonuses for critical occupations is not new. The military, when they were suffering manpower recruiting problems, came up with a variable reenlistment bonus for people in critical career fields to retain their talent and expertise. Other agencies of the federal government today pay bonuses in certain professional/technical areas to keep their highly specialized, skilled personnel. We therefore feel the precedent has been established. We know the problem exists from the FAA's own demographics. We know these demographics are reasonably accurate. With all of this knowledge, we must be prepared to bite the bullet and preserve safety.

In addressing the area of training, we must also question the FAA's current training programs. Because FAA has little option, we continue to see individuals near retirement being sent through costly training programs on new sys-

tems and equipment needed to modernize the National Airspace System. Because of the age and seniority of these employees, they complete the training at a large expense to the government, return to work on the new systems for a short period of time, and then retire. This training policy is almost a total waste. You may ask, "Why not limit the training to the younger professionals?" The answer is simple: there aren't that many. We are currently in the process of training individuals on the new host computers, which come under the jurisdiction of the Automation discipline. As the FAA's figures indicate this is the oldest, most senior discipline in our ranks. It is very difficult to transfer younger individuals into this discipline because there is no one left to assume their current workloads. Therefore, we are in the proverbial "Catch-22." People must be trained on the new systems, maintain old ones that stretch from decades of older technology to state of the art technology. Once trained, many are free to leave the agency and find top level employment in the private sector, for they are on the leading edge of technology. This problem can only be solved by adjusting present employees too and hiring new specialists at competitive salaries and benefits.

Many facilities experience another form of training problem. It is becoming more and more difficult to release the existing work force, regardless of age, to receive any training on new systems because there are not enough remaining specialists at their duty station to absorb the increased work load. Our members, on a normal basis, carry almost twice the workload that they several had years ago. It therefore becomes humanly impossible to pick up someone else's double workload on top of their own. This means that when the specialists are sent to training, all of the work at the facility can no longer be done. We play God and set priorities as to which work will be accomplished, and then pray that we made the right choices in the equipment maintenance and repairs we were able to complete. As the work force continues to diminish, these choices become harder and more work will be left unfinished.

When we cannot complete all of our assigned work, we also become very frustrated and start to feel inadequate. Many of our members do not blame this inability to complete work on poor management planning, but assume the burden of self-doubt instead. This weighs heavy upon their minds and contributes to the poor morale we currently have. After a while, they get fed up and leave the agency to get a job that they feel is more rewarding. This cycle, in turn, accelerates the attrition, which then magnifies the staffing shortages.

Is CONTRACTING OUT a viable alternative to the FAA's current dilemma? We quote the briefing papers of Retired FAA Associate Administrator Frisbie:

> "Contract maintenance not a solution in short term:
> Time required to arrange/award contract
> $ needed to fund contract overlap/transition"

PASS is in total agreement with this statement. Contracting out is not the solution. In addition to its questionable outcome, the requested pilot program will cost the

government between $10 and $17 million over and above what it would cost to have these positions remain in the FAA work force. Until the contractor requirements are released to the public, we are not even sure how many, if any, qualified bidders there will be.

In a contracting out situation, one must question user confidence. This confidence of controllers and pilots is not gained easily, it has taken our profession decades to earn. It has been earned through hard work, diligence and consistent performance in keeping the systems running smoothly and restoring them as quickly as possible when they fail. We have been able to accomplish this because we were designed as an on-site service profession and not as a off-site profit based company. Should this team confidence be shaken, it will be the users of the system who suffer. Pilots will increase minimums so that they have a broader safety margin. Controllers will be more cautious and increase separation rather than place themselves in a situation where they may more easily jeopardize the lives of others as well as their own professional ticket.

Some may ask, "If there are contractors who come in and install systems and maintain them during the warranty period, why won't contracting out work?" One of the answers is that contractors currently work only on their own equipment, i.e., Raytheon does not work on IBM equipment, IBM does not work on Sperry Rand equipment, etc. New contract employees will have to provide the same services we do. They will have to work on all types of different manufacturers' equipment and not just be specialized on one brand or segment of a system. This is one of the major differences between an FAA systems specialist and a private sector technician. In fact, maintenance of many equipments and systems contracted out by FAA over the years has been unsuccessful. We eventually are called back in to pick up the pieces and put the systems back in efficient operational order. We are extremely capable of maintaining and certifying an entire system, or groups of systems as well as performing restoration to any portion of the system. We do not specialize in strictly a transmitter or a receiver, a tape drive or a printer. Our training and skills are based on the entire system from start to finish. If we were like the private sector, training people only on certain aspects, components, or brands, we would need a work force ten times larger than what we had when we were adequately staffed. With this approach, overall systems skills and knowledge, as well commitment to our responsibilities, the government saves a great deal of money every time we are able to use our multiple talents and independent judgments in restoring a failed system.

A serious question that must be asked, is where will these new contract employees be able to obtain the training necessary to work on the multiple systems that we currently do. Some people feel that many former FAA systems specialists will be recruited to perform this work. Unfortunately, as the FAA discontinues training of its employees, this source will no longer be available. Therefore, there is no long-term source of expertise that will rise in the private sector. The FAA will still have to maintain the logistics portion of the operation. Otherwise, we may soon find our-

selves with companies that have substituted substandard parts. Many parts in our inventory are no longer available, and we do not know where a private company could afford to have a manufacturer retool a factory to start producing these parts again.

As we indicated earlier, FAA has tried to utilize private contractors on various systems in the past. These tests have failed miserably. One recent example is the new state-of-the-art Integrated Communications Switching System (ICSS). This system is the heart of the communications network where it is installed. The FAA recently had to assume the maintenance of this system even though there were renewable options for the contractor to continue to maintain the equipment. We believe one of the reasons dealt with the quick restoration time needed. When a controller loses his ability to communicate with the pilots, he/she does not want to hear "we will have someone out to fix it tomorrow" -- he/she needs it fixed now. Private sector contractors do not like two hour restoration times that are the maximum allowable for our critical systems because the shorter, required time frames reduce contractor profits.

One of the technological advances that was to help avert the problem we are currently facing was the Remote Maintenance Monitoring System (RMMS). From its inception, PASS has stated, "This is a valuable and needed troubleshooting tool for the specialists". At the same time, we said, "It was not a replacement for the specialists, unless FAA is willing to jeopardize systems performance". We understand that the Remote Maintenance Monitoring System project is behind schedule and also generating very high communications costs to operate. In other words, the savings in terms of manpower will not be obtainable and the total coats of system operation will be much greater than projected.

The problems with the RMMS are twofold. First, restoration times are increased due to the specialists being physically further away from the equipment. In some cases, they are over 100 miles further away than they were before. Once the specialist does arrive at the facility, he/she is not as familiar with the system as he/she was previously. This is caused by the fact that he/she does not see the equipment as often as he/she used to. The time we save doing periodic maintenance electronically, i.e., via RMMS, we lose in increased travel time for corrective maintenance when time is of the essence. As our specialists experience this scenario, contract maintenance personnel will have an even harder time overcoming this obstacle.

There will also be a problem insuring that new contract maintenance personnel are trained to specific standards. This is currently accomplished within the FAA by having employees in the AF workforce attend the same courses. The majority of these courses are conducted in Oklahoma City at the FAA's Aeronautical Center. One advantage to conducting this training in this manner, besides standardization, is the ability to work on identical off-line equipment used in the NAS without jeopardizing the aviation public. These mock-ups of the system are identical in every aspect, except they are not depended upon by pilots and controllers. In-

structors are able to inject malfunctions, and specialists are able to learn to diagnose these malfunctions and restore systems in a controlled environment. Absent this ability, contract personnel would have to receive their training on live systems which we do not feel is in the best interest of the flying public.

What would happen should a contractor default on the contract? Yes, the government can sue the contractor, but who will maintain the systems? Without an uninterrupted source of maintenance, such as the FAA could provide, the systems will fail. What will stop a contractor from low-balling the initial bid on the first contract? At the next contract negotiations the contractor claims he/she needs a much higher amount if he/she is to continue the maintenance. Should the government not agree they can get another contractor but, continuity and service could be interrupted. Who will train the next contractor? In all fairness to our dedicated membership and other employees at FAA, I do not believe for a moment that we will train contract employee trainees only to lose our jobs. If anyone believes we will then they probably still believe in the tooth fairy as well. The sequence of events could easily develop to where the flying public is used as a hostage in what ever occurs.

We understand the contractors will be required to have a no-strike clause or a contingency plan in case of a job action, slowdown or a strike. If a strike does take place in spite of these precautions, will a no-strike clause restore failed systems? If the contractor doesn't live up to the contingency plan outlined, will the needs of the flying public really be met? If not, the contingency plans and no-strike clauses will be meaningless words on paper. Some might consider use of military personnel as in the PATCO problem, but it will not work in this instance. It would take years to train them before they could deal with the equipment.

These are just some of the drawbacks that we see with contracting out. It is very difficult for our profession to understand why they are told that the agency has money or will have money to enter into this program, with its known deficiencies and potential hazards, and does not have money for them to perform needed hiring, training and overtime on the current system. The final insult is when they are told they will be expected to teach and provide on the job training to the contract employees who are taking their jobs or forcing them to relocate to other areas with their families. We must once again say, "There is only so much an individual can take, and that point has now been reached". In the interest of efficiency, fiscal constraints, and safety, it is our recommendation that the agency abandon its contracting out plans and stop the continued threatening of it's dedicated workforce on this issue.

FAA has taken delivery of the first of the new Beech King Air 300s. This is part of the original Fleet Conversion Plan which supported the purchase of 27 new aircraft for the flight inspection program. Currently, 19 Beech King Air 300s are slated for delivery under the original plan. We believe this planned purchase was flawed from the beginning. The King Air 300 aircraft is considered poorly de-

signed for the flight inspection environment, unsafe and dangerous by the people who must fly and work with them. Constant reports of wing failure, poor human factor considerations, and alarming cockpit visibility of the BE-300 may be a serious in-flight safety hazard. We urge this subcommittee to request the General Accounting Office (GAO) and Office of Technical Assessment (OTA), to institute without delay, a full and through investigation into this problem. Hopefully, this will happen before the Beech King Air 300s are allowed to endanger the people we represent in the FAA's Aviation Standards Division. In addition, staffing of flight inspection personnel is also dangerously low. The number of qualified pilots, co-pilots and systems specialist is dwindling. Any investigation of FAA's flight inspection program must include a serious review of appropriate staffing, as well as of the training pipeline as attrition occurs.

At the start of this testimony we stated we would make several recommendations to you. They have been interspersed throughout this testimony and we will collectively present them at this time.

First recommendation, in view of the current staffing shortages, rather than continue to reduce hours of operation at facilities, allow the alternate work schedule program in the FAA for the Airways Facilities Division. We feel this is much safer than Retired Associate Administrator Frisbie's 1986 recommendation reported in the press, that he will shut a facility down before he allows staffing to become a safety hazard. Their are those who say that his convictions on this subject may have brought on his retirement. If he was present today we might very well see the strength of his convictions.

Second recommendation, is that the FAA be authorized to start a hiring process immediately for the Airways Systems Specialists. Because of the technical nature of the job, it will take many months to be able to recruit adequately qualified personnel. We recommend a minimum number of 3,200 FTES BE HIRED, over a five year period, to at least keep us from slipping farther behind the power curve. This number (3,200) is predicated upon the agency's projection of 30% technical/professional personnel being eligible to retire by FY 1990. This Subcommittee should utilize its oversight abilities by requiring 6 month progress reports from the FAA. These reports would help insure that the new individuals are being hired and, that the necessary training is taking place. During this period the Congress should look at the staffing problems and be prepared to fund additional numbers as needed. We must see a total number of systems specialists eventually approach the necessary 9,000 mark before we can assume the system will function in a safe dependable manor. If this level, once reached, is maintained, we should have an adequate work force capable of absorbing attrition, performing the necessary life saving functions, and getting trained on new systems.

Third recommendation, is that a bonus or incentive program be established as soon as possible with a set duration period of at least six years. Its objective would be to retain the highly skilled professionals we currently have and stop their exodus into the retired ranks and private

sector. This bonus could be designed with a very limited scope so that personnel in noncritical areas, such as regional office, headquarters staff and second level or above supervisory positions are excluded. As we indicated earlier, this type of incentive has proven effective in other government agencies and the military.

Fourth recommendation, is that the FAA be ordered, through Congressional mandate if necessary, to abandon their contracting out plans. This plan is not in the best interest of the flying public. The potential savings alone will produce a large portion of the funding that will be necessary to properly address the staffing problem you have before you today. It would definitely help defray the cost of the bonus we have suggested. Either of these suggestions would provide a much greater return to the American taxpayer for their tax dollar then to gamble on contracting out.

Fifth recommendation, is that the specialists who are attending training at the Aeronautical Center in Oklahoma City receive the maximum amount of per diem authorized by the GSA, instead of the current reduced per diem authorized by the FAA. It is hard enough to go to the Academy for extended periods of time, be separated from family, and take highly technical training without the additional worry of meeting added financial obligations brought about by the FAA. The reduced per diem is one reason specialists do not volunteer to attend training courses, even when there is an adequate work force remaining at the facility to absorb the workload. We believe it is time for the agency to recognize these dedicated employees for the job they do and to stop treating them as second-class citizens.

Sixth recommendation, request the G.A.O. and O.T.A. to investigate the safety and service application of the Beech King Air 300 in the flight inspection environment as currently delivered. This investigation should also conduct a through staffing review as well.

We will be happy to explore with this subcommittee any other solutions that you may have. We believe the proof is overwhelming that problems exist, and our main concern is how to effectively and efficiently solve them.

It was not so long ago that one of your former colleagues, the distinguished Elliott Levitas, addressed our convention in San Diego. He referred to the members of our profession as "unsung heroes." He indicated that many facets of aviation did not even know we existed because we had done our job so well for so long that pilots did not have to give a second thought to the performance of our systems and controllers did not have to fear when they plugged into a position. We prided ourselves on that track record, built upon preventative, not corrective, maintenance. The continuation of this outstanding track record is now in serious peril, which in turn will jeopardize the national airspace system. We do not ask for accolades for the work we have done. We will continue to be a background group because we know our own value to the system. We will not sit idly by, though, and watch our years of hard work be destroyed by poor management and lack of foresight.

We thank you for this opportunity to testify before you. We trust you will somehow be able to mandate the FAA and the Department of Transportation to take the steps necessary to allow us to continue to be a proud profession dedicated to serving and protecting the flying public.

COAST GUARD FUNDING

National Association of State Boating Law Administrators

Statement of George W. Stewart, Jr., Director, Government Affairs

I am George Stewart, Director, Government Affairs, National Association of State Boating Law Administrators. Our Association is pleased to provide input into your hearing regarding the State Boating Safety Trust Fund Authorization/ Appropriation.

My testimony today will focus on the Aquatic Resources Trust Fund and more specific the boat safety account of this fund. The boat safety account is derived from the motor boat fuel tax and appropriations are authorized from this account to meet expenditures of the U.S. Coast Guard and the States for recreational boating safety assistance. The Federal Agency administering these funds to the States is the U.S. Coast Guard within the Department of Transportation.

Our Association views with serious concern that the Department of Transportation is only requesting $45 million for FY'89 from the Aquatic Resources Trust Fund. We are further concerned that they are requesting this be divided $30 million to the U.S. Coast Guard and $15 million to the State Boating Safety program. It would seem reasonable that if the Coast Guard needed $30 million to defray their cost to the nations recreational boaters, the Department would support Senate Bill S-2032 and House Bill HR-3918. Both bills raise the authorization of the Boat Safety Account to $60 million with half this amount to be given in grants to the States to run boating safety programs and half to the Coast Guard for similar purposes.

These actions to reduce our State Boating Safety Funds is definitely contradictory to what we hear from the Coast

Guard and read in a Coast Guard Roles and Mission Report, (i.e.) States should assume the primary role in boating safety law enforcement, major contributions by the States to the overall reduction in the fatality rate by more than 60% of what it was prior to the passage of the Federal Boat Safety Act of 1971, that Federal funds and the joint efforts with the Coast Guard should result in savings to the Federal Govern-ment rather than inordinate additional cost which would emanate from State curtailment, inaction, or indifference. We are pleased at this assessment of our State Boating Safety Program by those in the U.S. Coast Guard, especially since the waters we operate on are generally "joint jurisdict-ional" and shows that "Federal assistance to the States has resulted in a willingness on the States part to assume a major share of what is logically and statutorily a JOINT responsibility".

In introducing HR-3918 Congressmen Jones and Davis said in their "Dear Colleague" letter.."This fund is a true user-funded account which requires no monies from the General Fund". Senators Wallop and Breaux, in their "Dear Colleague" letter said "At a time when the fiscal resources of the Federal Government are under a great strain, this program provides an excellent example of user groups stepping forward to help themselves without putting further pressure on scarce general revenues". This is a user fee paid by boaters in the form of tax on motorboat fuel. It is not general tax revenue and what isn't deposited in the Boat Safety Account goes to the Fishery Account, not the General Fund. With the House and Senate Bills mentioned above intro-duced, it is obviously difficult to comprehend the Department of Transportation asking for $45 million instead of $60 million.

Mr. Chairman, the States are indeed taking the lead role in boating safety law enforcement. The Federal Boat Safety Funds have given the States credibility and effectiveness in the budgetary competition within State Legislatures. The funding report of the States attached to my remarks will attest to the States financial support of the State Boating Safety Programs. Noteworthy is the States share of total expenditures is 80.7% and Federal 19.3% for the period 1983-1988.

The States have picked up the slack after removal of the Coast Guard Boating Safety Detachment Teams from the state waters, have relieved the Coast Guard of responsibility of issuing Regatta permits in some states, and there are less active duty Coast Guard stations benefiting state boaters in 1987 as compared prior to 1982. We also observe that there are several states and the District of Columbia with no active duty Coast Guard that benefit state boaters.

The States have made great strides in providing well trained Waterway Enforcement personnel with boats and associated equipment to get the job done. Our patrol boats are fully equipped to perform safety patrols and search and rescue. Specialized equipment, such as de-watering pumps, alcohol testing equipment,marine radios, radar, night vision scopes, fathometers, loran, towing equipment, survival suits, rechargeable flashlights, bullet proof personal flotation devices and weapons have been purchased to increase the patrol officers presence on the water and to provide safety services to boaters.Officers operating these boats and specialized equipment attend a Police Training Academy, receive annual refresher training to include first aid, C.P.R., etc., requalify in speed control radar, fast water rescue,

boating while intoxicated, attend boating accident investigation seminars and many of our officers have attended the National Boating Safety School in Yorktown, Virginia. These officers have access to computer systems that are tied into the state wide "on line crime system".

Since passage of the State Boat Act of 1971 the States have made major progress in boating safety education. They carry out a boating safety education training program in the schools, through home study courses, selected short courses to special interest groups (i.e.) duck hunters, fishermen, etc. The States have their own boating safety course books that meet the minimum requirements as established by our Association. They print and distribute boat safety literature and provide radio and television spots on drinking and boating, wearing P.F.D.'s, hypothermia, weather, float plans, stay clear of large ships, duck hunting safety and local notices on dangers to navigation. The States provide courtesy motorboat examinations and post boating safety information in the field, usually at marinas, boat dealers and boat access ramps.

In our Associations opinion the States and the U.S. Coast Guard have an excellent Federal-State maritime relationship. Jointly we compliment each other in our boating safety efforts. Our principal difference each year is the funding for our State program. The authorization/appropriation request from the Department of Transportation for FY'89 proposes to reverse the funding ratio on the program so the Coast Guard receives $30 million and the States $15 million is very disturbing to the States. This is especially disheartening since the States, the Industry and the Boating Organizations championed the program in the first place

so the Coast Guard would receive part of the funding. This is a user fee paid by boaters to defray the cost of government service that uniquely benefit the recreational boating public. Since the States are taking the lead role in boating safety efforts, we obviously question our user fee being reduced.

In summary, The National Association of State Boating Law Administrators urgently ask the support of this Subcommittee in obtaining authorization and appropriation of $60 million for the Boating Safety Account as provided in Senate Bill S-2032 and House Bill HR-3918. We further support provision in these two bills to provide $30 million each to the States and the U.S. Coast Guard to defray their cost for service to the recreational boater.

Thank You

STATE		FED/STATE FUND 1983 - 1988						STATE BOATING SAFETY PROGRAM			
		1983	1984	1985	1986	1987	1988	FEDERAL 1983 - 1988	STATE 1983 - 1988	FED/STATE 1983 - 1988	PERCENT
ALABAMA	Fed	$264,678	$264,978	$285,199	$460,021	$603,553	$0	$2,078,429			19.2%
	State	$1,545,800	$1,542,211	$2,216,989	$1,804,023	$1,622,686	$0		$8,731,709		80.8%
	Total	$1,810,478	$1,807,189	$2,502,188	$2,464,044	$2,226,239	$0			$10,810,138	
ALASKA	Fed	$0	$0	$0	$0	$0	$0	$0			0019/0'
	State	$0	$0	$0	$0	$0	$0		$0		0019/0'
	Total	$0	$0	$0	$0	$0	$0			$0	
ARIZONA	Fed	$156,294	$169,138	$177,636	$387,272	$344,869	$0	$1,235,149			22.1%
	State	$852,863	$734,106	$831,400	$951,900	$987,200	$0		$4,357,469		77.9%
	Total	$1,009,157	$903,244	$1,009,036	$1,339,172	$1,332,069	$0			$5,592,618	
ARKANSAS	Fed	$226,652	$220,479	$242,495	$473,600	$393,000	$0	$1,556,226			42.6%
	State	$455,000	$342,342	$436,005	$473,600	$393,000	$0		$2,099,947		57.4%
	Total	$681,652	$562,821	$678,500	$947,200	$786,000	$0			$3,656,173	
CALIFORNIA	Fed	$569,664	$907,760	$789,399	$1,682,130	$1,930,041	$0	$5,878,994			12.1%
	State	$9,724,637	$6,911,250	$7,830,000	$8,909,870	$9,333,959	$0		$42,709,716		87.9%
	Total	$10,294,301	$7,819,010	$8,619,399	$10,592,000	$11,264,000	$0			$48,588,710	
COLORADO	Fed	$112,747	$116,021	$124,582	$271,690	$275,974	$0	$900,934			43.9%
	State	$273,462	$297,970	$124,582	$271,690	$275,974	$0		$1,153,598		56.1%
	Total	$386,209	$323,991	$249,004	$543,380	$551,948	$0			$2,054,532	
CONNECTICUT	Fed	$206,149	$146,914	$169,501	$250,394	$336,426	$0	$1,209,384			21.2%
	State	$743,868	$919,657	$838,499	$901,011	$1,114,998	$0		$4,504,233		78.8%
	Total	$949,417	$1,061,571	$1,008,000	$1,251,405	$1,451,424	$0			$5,713,617	
DELAWARE	Fed	$131,059	$124,508	$134,632	$272,677	$291,509	$0	$954,785			22.3%
	State	$664,057	$592,007	$663,600	$638,600	$835,500	$0		$3,333,864		77.7%
	Total	$795,116	$716,515	$798,432	$911,477	$1,127,109	$0			$4,288,649	
DIST. OF COL.	Fed	$153,261	$148,649	$149,889	$284,248	$254,760	$0	$990,827			14.2%
	State	$1,200,229	$1,078,860	$1,170,453	$1,253,577	$1,237,411	$0		$5,980,530		85.8%
	Total	$1,393,490	$1,227,529	$1,320,342	$1,537,825	$1,492,171	$0			$6,971,357	
FLORIDA	Fed	$389,066	$606,831	$724,878	$1,439,786	$1,174,076	$0	$4,334,633			12.6%
	State	$5,404,254	$5,726,184	$6,333,015	$5,817,953	$6,707,583	$0		$29,988,989		87.4%
	Total	$5,793,320	$6,333,015	$7,057,889	$7,257,739	$7,881,659	$0			$34,323,622	
GEORGIA	Fed	$276,430	$256,144	$277,666	$607,125	$632,228	$0	$2,049,597			19.1%
	State	$1,545,589	$1,486,619	$1,606,471	$2,178,876	$1,534,511	$0		$8,346,066		80.3%
	Total	$1,822,023	$1,736,763	$1,884,137	$2,786,001	$2,166,739	$0			$10,395,663	
HAWAII	Fed	$94,946	$113,617	$144,487	$321,305	$329,273	$0	$1,003,628			16.1%
	State	$578,929	$816,002	$1,135,488	$1,236,062	$1,468,461	$0		$5,234,942		83.9%
	Total	$673,875	$929,619	$1,279,975	$1,557,367	$1,797,734	$0			$6,238,570	
IDAHO	Fed	$129,438	$129,954	$133,465	$297,785	$284,378	$0	$979,020			34.7%
	State	$486,375	$350,000	$411,100	$297,785	$295,982	$0		$1,841,242		65.3%
	Total	$615,813	$479,954	$544,565	$595,570	$584,360	$0			$2,820,262	
ILLINOIS	Fed	$230,747	$218,281	$238,330	$510,415	$549,944	$0	$1,747,717			37.1%
	State	$530,374	$459,245	$509,863	$900,055	$569,374	$0		$2,968,911		62.9%
	Total	$761,121	$677,526	$748,193	$1,410,470	$1,119,318	$0			$4,716,628	
INDIANA	Fed	$243,743	$195,645	$215,984	$443,260	$484,370	$0	$1,583,002			25.5%
	State	$800,649	$835,298	$849,813	$907,442	$1,241,357	$0		$4,634,559		74.5%
	Total	$1,044,392	$1,030,943	$1,065,797	$1,350,702	$1,725,727	$0			$6,217,561	
IOWA	Fed	$234,864	$212,783	$247,894	$484,736	$505,178	$0	$1,685,455			21.1%
	State	$984,567	$1,268,088	$1,171,742	$1,469,299	$1,426,004	$0		$6,319,700		78.9%
	Total	$1,219,431	$1,480,871	$1,419,636	$1,954,035	$1,931,182	$0			$8,005,155	
KANSAS	Fed	$125,686	$116,449	$129,132	$280,496	$279,276	$0	$931,039			49.1%
	State	$129,841	$147,337	$129,132	$280,496	$279,276	$0		$966,082		50.9%
	Total	$255,527	$263,786	$258,264	$560,992	$558,552	$0			$1,897,121	
KENTUCKY	Fed	$213,914	$184,785	$210,333	$474,225	$433,420	$0	$1,516,677			18.8%
	State	$1,021,904	$1,204,383	$1,617,802	$1,491,025	$1,232,602	$0		$6,567,716		81.2%
	Total	$1,235,818	$1,389,168	$1,828,135	$1,965,250	$1,666,022	$0			$8,084,393	
LOUISIANA	Fed	$389,541	$376,597	$291,607	$648,080	$691,339	$0	$2,397,164			23.6%
	State	$2,637,922	$1,064,517	$981,188	$1,320,859	$1,736,349	$0		$7,740,835		76.4%
	Total	$3,027,463	$1,441,114	$1,272,795	$1,968,939	$2,427,688	$0			$10,137,999	
MAINE	Fed	$149,658	$136,577	$154,395	$309,454	$344,683	$0	$1,094,767			37.7%
	State	$198,712	$289,074	$293,597	$421,968	$609,514	$0		$1,812,865		62.3%
	Total	$348,370	$425,651	$447,992	$731,422	$954,197	$0			$2,907,632	
MARYLAND	Fed	$480,591	$418,923	$720,783	$1,358,420	$1,557,758	$0	$4,736,475			8.8%
	State	$8,164,327	$9,226,717	$9,266,458	$10,784,536	$11,938,808	$0		$49,380,846		91.2%
	Total	$8,644,918	$9,645,640	$9,987,241	$12,142,956	$13,496,566	$0			$54,117,321	
MASSACHUSETTS	Fed	$207,715	$235,092	$244,344	$550,220	$872,737	$0	$2,110,130			20.8%
	State	$1,308,107	$1,396,094	$1,167,117	$1,749,052	$2,454,274	$0		$8,074,644		79.2%
	Total	$1,515,822	$1,631,186	$1,411,463	$2,307,272	$3,327,011	$0			$10,192,774	
MICHIGAN	Fed	$439,758	$539,336	$558,485	$1,215,350	$1,113,456	$0	$4,066,385			21.0%
	State	$2,671,596	$2,990,049	$3,624,198	$3,056,155	$3,045,800	$0		$15,297,798		79.0%
	Total	$3,111,354	$3,439,385	$4,182,683	$4,271,505	$4,159,256	$0			$19,364,183	
MINNESOTA	Fed	$380,903	$410,948	$518,640	$1,069,185	$1,066,761	$0	$3,446,437			24.4%
	State	$1,173,780	$2,262,501	$2,286,053	$2,713,648	$2,219,180	$0		$10,655,162		75.6%
	Total	$1,554,683	$2,673,449	$2,804,693	$3,782,833	$3,285,941	$0			$14,101,599	
MISSISSIPPI	Fed	$190,470	$222,383	$218,090	$425,661	$461,922	$0	$1,518,546			17.4%
	State	$1,641,435	$1,357,811	$1,660,397	$1,391,214	$1,756,335	$0		$7,227,192		82.6%
	Total	$1,831,905	$1,580,194	$1,298,487	$1,816,895	$2,218,257	$0			$8,745,738	
MISSOURI	Fed	$298,719	$282,367	$328,590	$698,538	$724,524	$0	$2,332,738			18.6%
	State	$1,444,759	$1,663,665	$1,643,519	$2,595,891	$2,839,338	$0		$10,187,172		81.4%
	Total	$1,743,478	$1,946,032	$1,972,109	$3,294,429	$3,563,862	$0			$12,519,910	
MONTANA	Fed	$98,633	$97,341	$109,837	$230,250	$232,950	$0	$769,011			41.8%
	State	$180,093	$213,258	$213,268	$230,250	$232,950	$0		$1,069,819		58.2%
	Total	$278,726	$310,599	$323,105	$460,500	$465,900	$0			$1,838,830	
NEBRASKA	Fed	$80,811	$97,566	$110,399	$83,000	$69,250	$0	$441,026			50.5%
	State	$80,811	$88,968	$110,399	$83,000	$69,250	$0		$432,368		49.5%
	Total	$161,622	$186,474	$220,798	$166,000	$138,500	$0			$873,394	

STATE		FED/STATE FUND 1983 - 1988				STATE BOATING SAFETY PROGRAM		FEDERAL	STATE	FED/STATE	PERCENT
		01,983	01,984	01,985	01,986	1987	1988	1983 - 1987	1983 - 1987	1983 - 1987	
NEVADA	Fed	$818,792	$190,972	$113,427	$262,346	$248,005	$0	$835,542			36.2%
	State	$247,931	$292,867	$755,625	$573,020	$485,379	$0		$2,354,332		73.8%
	Total	$256,723	$293,839	$869,052	$835,366	$733,384	$0			$3,189,874	
NEW HAMPSHIRE	Fed	$100,031	$97,379	$106,787	$229,804	$236,721	$0	$770,722			23.1%
	State	$405,082	$418,276	$578,887	$557,582	$469,845	$0		$2,569,562		76.9%
	Total	$505,113	$515,655	$685,674	$787,386	$846,536	$0			$3,340,284	
NEW JERSEY	Fed	$288,743	$243,699	$325,663	$703,745	$756,421	$0	$2,328,273			12.6%
	State	$1,900,128	$2,801,040	$3,305,765	$4,207,387	$3,976,144	$0		$16,190,456		87.4%
	Total	$2,188,863	$3,044,739	$3,641,430	$4,911,132	$4,732,565	$0			$18,518,729	
NEW MEXICO	Fed	$102,166	$99,295	$107,582	$233,612	$0	$0	$542,755			37.5%
	State	$229,000	$192,781	$221,694	$760,000	$0	$0		$903,475		62.5%
	Total	$331,166	$292,176	$329,276	$493,612	$0	$0			$1,446,230	
NEW YORK	Fed	$703,412	$258,749	$307,467	$947,557	$1,010,957	$0	$3,228,142			19.3%
	State	$742,514	$1,872,883	$1,100,000	$4,446,600	$5,360,600	$0		$13,521,997		80.7%
	Total	$1,445,926	$2,131,632	$1,407,467	$5,394,157	$6,378,957	$0			$16,750,139	
NORTH CAROLINA	Fed	$225,697	$215,651	$225,517	$477,882	$498,536	$0	$1,643,283			25.3%
	State	$983,901	$850,741	$855,000	$969,923	$1,190,000	$0		$4,869,695		74.7%
	Total	$1,209,678	$1,066,392	$1,080,517	$1,447,805	$1,688,536	$0			$6,492,928	
NORTH DAKOTA	Fed	$97,884	$94,332	$102,271	$210,257	$213,982	$0	$718,826			51.4%
	State	$101,151	$51,460	$102,271	$216,257	$213,982	$0		$679,221		48.6%
	Total	$199,035	$145,792	$204,542	$426,714	$427,964	$0			$1,398,047	
OHIO	Fed	$390,762	$263,138	$478,368	$1,013,725	$1,048,426	$0	$3,226,421			84.2%
	State	$755,368	$3,706,872	$3,538,440	$5,218,625	$4,163,145	$0		$17,382,450		
	Total	$1,146,130	$3,970,010	$4,016,808	$6,232,360	$5,251,571	$0			$20,608,871	
OKLAHOMA	Fed	$261,897	$254,743	$270,982	$545,640	$522,990	$0	$1,856,172			20.0%
	State	$1,697,000	$1,504,221	$1,687,665	$1,378,265	$1,378,265	$0		$7,645,526		80.0%
	Total	$1,958,897	$1,761,074	$1,958,567	$1,923,905	$1,901,255	$0			$9,383,698	
OREGON	Fed	$211,781	$211,311	$263,765	$436,773	$442,960	$0	$1,566,590			21.4%
	State	$1,305,562	$787,881	$1,119,637	$1,220,115	$1,182,552	$0		$5,534,867		78.6%
	Total	$1,517,343	$998,312	$1,323,402	$1,656,888	$1,625,512	$0			$7,101,457	
PENNSYLVANIA	Fed	$318,267	$287,107	$313,334	$726,693	$880,880	$0	$2,326,281			16.2%
	State	$2,138,113	$2,334,510	$2,378,751	$2,546,307	$2,634,129	$0		$12,022,801		83.8%
	Total	$2,456,380	$2,621,617	$2,684,085	$3,273,000	$3,315,000	$0			$14,350,082	
RHODE ISLAND	Fed	$183,663	$99,593	$98,462	$211,160	$212,628	$0	$717,644			49.1%
	State	$121,595	$98,951	$98,462	$211,160	$212,628	$0		$742,736		50.9%
	Total	$225,256	$198,544	$196,864	$422,320	$425,256	$0			$1,460,180	
SOUTH CAROLINA	Fed	$188,162	$230,871	$291,438	$598,662	$617,271	$0	$1,926,344			19.0%
	State	$1,150,814	$1,781,925	$1,626,560	$1,626,560	$1,626,560	$0		$7,812,429		80.2%
	Total	$1,338,976	$2,012,806	$1,917,998	$2,225,162	$2,243,831	$0			$9,738,773	
SOUTH DAKOTA	Fed	$100,257	$92,105	$99,745	$215,001	$448,074	$0	$955,282			38.6%
	State	$100,257	$123,341	$99,745	$512,002	$448,074	$0		$883,519		61.4%
	Total	$200,714	$215,446	$199,490	$727,003	$896,148	$0			$1,438,801	
TENNESSEE	Fed	$223,345	$197,099	$209,768	$467,566	$427,926	$0	$1,525,844			28.9%
	State	$695,314	$598,854	$812,027	$984,844	$751,979	$0		$3,763,018		71.1%
	Total	$918,659	$795,953	$1,021,735	$1,372,410	$1,179,905	$0			$5,288,862	
TEXAS	Fed	$637,155	$584,651	$661,875	$1,305,017	$1,199,149	$0	$4,329,847			20.0%
	State	$4,306,881	$3,840,723	$4,683,875	$3,794,983	$3,900,851	$0		$16,665,713		79.2%
	Total	$4,943,236	$4,425,374	$5,206,150	$5,100,000	$5,100,000	$0			$20,774,760	
UTAH	Fed	$120,543	$122,020	$136,847	$284,350	$368,774	$0	$975,834			24.8%
	State	$467,617	$539,829	$514,378	$587,487	$852,172	$0		$2,956,483		75.2%
	Total	$588,160	$661,849	$651,225	$869,337	$1,160,946	$0			$3,931,317	
VERMONT	Fed	$95,162	$91,026	$99,128	$217,448	$0	$0	$501,764			49.4%
	State	$94,773	$72,182	$108,549	$238,292	$0	$0		$514,796		50.6%
	Total	$188,935	$164,208	$207,677	$455,740	$0	$0			$1,016,560	
VIRGINIA	Fed	$343,450	$272,648	$243,787	$417,510	$427,666	$0	$1,625,881			24.7%
	State	$453,087	$5,510,484	$688,730	$738,605	$747,230	$0		$4,338,236		75.3%
	Total	$816,537	$1,683,932	$932,517	$1,156,115	$1,175,016	$0			$5,764,117	
WASHINGTON	Fed	$0	$170,226	$168,162	$472,885	$352,707	$0	$1,163,980			40.4%
	State	$0	$363,039	$435,292	$475,285	$442,284	$0		$1,715,820		59.6%
	Total	$0	$533,265	$603,454	$948,170	$794,991	$0			$2,879,800	
WEST VIRGINIA	Fed	$111,110	$104,753	$118,799	$148,023	$230,371	$0	$713,056			41.6%
	State	$172,095	$259,937	$185,000	$148,023	$225,000	$0		$1,000,055		58.4%
	Total	$283,205	$364,690	$303,799	$296,046	$465,371	$0			$1,713,111	
WISCONSIN	Fed	$344,414	$325,910	$365,536	$779,879	$737,600	$0	$2,602,659			30.6%
	State	$1,310,682	$1,310,682	$365,536	$1,438,707	$1,463,213	$0		$5,893,860		69.4%
	Total	$1,655,096	$1,636,592	$731,112	$2,218,626	$2,249,613	$0			$8,496,529	
WYOMING	Fed	$49,251	$50,082	$80,174	$128,000	$90,000	$0	$385,667			50.0%
	State	$49,251	$50,082	$80,175	$128,000	$90,000	$0		$385,668		50.0%
	Total	$98,502	$100,164	$160,349	$256,000	$180,000	$0			$771,335	
PUERTO RICO	Fed	$102,869	$93,568	$100,009	$145,383	$225,532	$0	$670,005			33.5%
	State	$163,159	$170,256	$160,665	$348,359	$662,371	$0		$1,200,000		66.5%
	Total	$265,228	$263,799	$260,694	$293,798	$887,903	$0			$2,027,643	
GUAM	Fed	$0	$0	$0	$0	$0	$0	$0			$0/$0
	State	$0	$0	$0	$0	$0	$0		$0		$0/$0
	Total	$0	$0	$0	$0	$0	$0			$0	
U. VIRGINIAS	Fed	$29,604	$73,360	$88,935	$172,979	$172,727	$0	$529,586			100.0%
	State	$0	$0	$0	$0	$0	$0		$0		0.0%
	Total	$29,604	$73,360	$88,935	$172,979	$172,727	$0			$539,586	
SAMOA	Fed	$47,044	$72,335	$88,935	$172,844	$172,893	$0	$567,466			100.0%
	State	$0	$0	$0	$0	$0	$0		$0		0.0%
	Total	$47,044	$73,330	$88,930	$172,844	$172,893	$0			$567,466	

		FED/STATE FUND 1983 - 1986			STATE BOATING SAFETY PROGRAM						
TERRITORIES	**	91,983	91,984	91,985	91,986	1987	1988	FEDERAL 1983 - 1987	STATE 1983 - 1987	FED/STATE 1983 - 1987	PERCENT
VIRGIN ISLANDS	Fed	434,093	476,432	487,578	$486,881	$475,432	$0	$561,016			99.1%
	State	434,494	486,200	$0	498,797	$468,829	$0		$388,311		44.9%
	Total	868,987	$162,632	487,578	$285,678	$944,252	$0			$999,327	
GRAND	FED	$11,432,093	$11,438,461	$13,001,563	$27,547,211	$27,388,043	$0	$91,687,391			19.3%
TOTALS	STATE	$66,263,381	$79,644,564	$69,748,747	$86,756,578	$89,877,680	$0		$383,262,950		80.7%
FEDERAL/STATE	TOTAL	$78,095,474	$82,455,025	$82,430,330	$114,303,789	$117,265,723	$0			$474,950,341	

FEDERAL FUNDS AUTHORIZED & APPROPRIATED

FY	AUTHORIZED	APPROPRIATED	PERCENT	
1981	$10,000,000	$0	0.0%	
1982	$10,000,000	$0	0.0%	
1983	$15,000,000	$12,500,000	83.3%	
1984	$30,000,000	$13,625,000	45.4%	
1985	$30,000,000	$13,750,000	45.8%	
1986	$30,000,000	$28,710,000	95.7%	**
1987	$30,000,000	$30,000,000	100.0%	
1988	$45,000,000	$21,375,000	47.5%	**
1989	?	?	?	
Total	$200,000,000	$119,960,000	60.0%	

** [illegible]

THE NON COMMISSIONED OFFICERS ASSOCIATION OF THE UNITED STATES OF AMERICA

STATEMENT OF SGT. MAJ. C.A. (MACK) MCKINNEY, USMC (RET.), LEGISLATIVE COUNSEL

Mr. Chairman: The Non Commissioned Officers Association of the USA (NCOA), along with others, is concerned that the United States Coast Guard has not received a fair shake from the Administration or Congress. Its fiscal year 1988 budget will have a negative effect on that service's people, facilities, programs, and physical resources. Although NCOA isn't fully qualified to address the matter of facilities, physical resources, and most Coast Guard programs, it does have the experience and knowledge to discuss people and their programs.

NCOA is people. It's membership is people. People are who man the facilities and physical resources of the Coast Guard. And many Coast Guard people are members of NCOA.

What concerns NCOA the most is the adverse effect Coast Guard people must suffer when there is a lack of operating funds. For this fiscal year some 1,000 uniformed personnel are jeopardized because the Coast Guard's budget is not up to its required level.

To lose good men and women is ludicrous. The loss relates to thousands of man-hours that could be used to carry on the Coast Guard's mission to protect the marine environment, service navigation aids, interdict illegal drugs, maintain a defensive posture, and save lives.

The effective use of uniformed Coast Guardsmen comes with their contributions during times of fiscal constraint. With less funds to modernize the Coast Guard's physical resources, it's imperative that the service retains its experienced people. There's more truth than fiction in the adage that it's better to have good people working with bad equipment than bad people with good equipment.

Keeping good people on board during tough times adds immeasurably to the readiness of the nation's hardest-working peacetime service. When better times come around, or the Coast Guard becomes a part of the Navy in national emergencies, the experience gained with poor equipment only enhances the ability of its people to use and maintain the more modern, sophisticated weapons and systems that may come into the Coast Guard's future inventory.

There is some consolation in the FY 1989 budget. It seems to restore most of the FY 1988 people losses. However, NCOA believes that the FY 1988 reprogramming request should contain sufficient funds to halt the hemorrhage of any talent the Coast Guard needs but might lose in the remaining months of this fiscal year.

It is also necessary for Congress to provide all of the appropriations requested for the Coast Guard in its FY 1989 budget. The $2.98 billion includes, but is not limited to, monies to pay, recruit, retain, train, and maintain those personnel programs necessary to sustain a regular force of 38,000 uniformed servicemembers; $410.8 million for retired pay, annuities, and medical costs for military retirees and their dependents and survivors, and $68.5 million for the Reserve Training program at a level of 13,000 selected reserve members.

For the active force, NCOA proposes the necessary funds for the Coast Guard to:

o increase pay and allowances by a minimum of 4.3 percent, as recommended by the Administration for its uniformed servicemembers-

o increase variable housing allowances (VHAs) to reflect all costs associated with residing in civilian housing whenever governmental housing is not available-

o support the continued use of uniformed services treatment facilities (USTFs) to care for the health of its uniformed personnel-

o provide reimbursements for travel and transportation, permanent changes of station, per diem allowances, and temporary lodging expenses (TLEs) that more equitably match those offered to its civilian employees.

If approved, these enhancements to the Coast Guard's uniformed personnel account could turn about what Commandant Paul A. Yost considers a probable morale problem. On March 8 last the Commandant advised Congress of his concern that budget cuts, expanded responsibility, and new missions were overtaxing his people.

The Coast Guard has changed, its missions have changed (in that more is demanded of the service), its people have changed (they're better educated, more qualified), and its fiscal structure has changed. Congress needs to respond to these changes.

As the Secretary of Transportation recently said: "The Coast Guard's budget must be kept at a realistic level if it is to maintain its defense readiness, protect our marine environment, service aids to navigation, interdict illegal drugs, and most important, save lives."

RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES

STATEMENT OF COMDR. WILLIAM E. LEGG, USNR (RET.), DIRECTOR OF NAVAL AFFAIRS

It is my pleasure to address this committee concerning the Fiscal Year 1989 Budget request for the United States Coast Guard.

I would like to remind this committee of the key element of the Congressional Charter of the Reserve Officers Association of the United States that brings me before you today. Simply stated that key is the object and purpose of ROA which is "to support a military policy for the United States that will provide adequate national security and to promote and develop the execution thereof." With this in mind, we view with alarm the impact of the Fiscal Year 1988 budget reduction imposed on the Coast Guard, particularly its Reserve component, by the last session of Congress.

The Coast Guard is a unique Armed Force, the only one with important peacetime functions enforcing a variety of our nation's laws plus a significant role to play as a specialized branch of the Department of the Navy upon mobilization. Obviously, inadequate funding denies the dedicated men and women of the Coast Guard the ability to perform the tasks assigned. I will not take the time to detail the reduction in the force structure reflected in the closing of offices and facilities in many locations, the more than 50 percent reduction in tempo of operations relating to fishing patrols and drug interdiction operations or the reduction in the number of Selected Reservists from 13,500 to 12,000. Admiral Yost noted that this 10 percent reduction in an already severely undermanned Coast Guard Reserve is the "steepest since World War II." The reduction in personnel was also accompanied by the cancelation of training for many of those Coast Guard Reservists permitted to remain in the program.

Noting the severity of the impact of funding cuts imposed this year and concerned that the congressional appropriations process might repeat the scenario which saw an apparent "transfer of funds" from the Coast Guard to other programs deemed by some to be underfunded, Major General Evan Hultman, AUS (Ret.), the Executive Director of ROA, sent letters to the Chairmen of the Budget and Appropriations Committees, this committee and the Transportation and Related Agencies subcommittee of the House. These letters reflect the sentiment of the more than 120,000 members of our organization to support adequate funding for the Coast Guard.

His letter specifically supports efforts to ameliorate the impact on Coast Guard operations this year through some form of supplemental appropriation or reprogramming action. ROA recognizes that the $60 million in additional funds being considered for the Coast Guard for Fiscal Year 1988, are earmarked for the OE, Operating Expenses, appropriation. If sufficient funds are made available, the Coast Guard will be able to resume "normal" operations in such areas as fisheries patrols, the rescue swimmer program and drug interdiction operations. These funds will <u>not</u> be sufficient to restore any of the facilities or activities closed or cancelled by Admiral Yost in January nor will they provide for any restoral of Reserve strength cuts or Reserve training reductions in Fiscal Year 1988.

ROA strongly recommends prompt and positive action by this committee on the Administration's request.

General Hultman's letter also strongly recommended that the Coast Guard be funded at least at the level requested by the President for Fiscal Year 1989 <u>and</u> that the Budget Committees provide line item identification for the Coast Guard at that level within Function 400.

The Reserve Officers Association is strongly supporting adequate funding for the Coast Guard. At this time, we do not think the transfer of the Coast Guard to another agency, as proposed by some, is the way to resolve this issue.

Fiscal Year 1989 Budget Request

As I indicated earlier, The Reserve Officers Association strongly endorses funding the Coast Guard at least at the level requested by the President for Fiscal Year 1989. The Budget Resolution does identify funds for the Coast Guard at the level requested by the President. ROA encourages this committee to appropriate funds at least at that level.

Although this level is more than $440 million greater than appropriated directly for the Coast Guard last year, this is a "no growth" request. It will not support restoral of structure cuts made this year nor will it permit sufficient growth in Reserve personnel strength to return to the level requested last year for the end of Fiscal Year 1988.

One example of the illusory nature of growth between Fiscal Year 1988 and Fiscal Year 1989 is the fact that part of the budget "magic" performed by Congress last year was the placing of $120 million of funds for the Coast Guard in Navy appropriations. Such fiscal slight-of-hand is not repeated in this year's Budget request; therefore, the apparent difference between fiscal years is immediately reduced to $320 million. The restoration of "normal" operations to the remaining Coast Guard structure requires approximately $60 million. There is another $60 million associated with COLA and pay raise increases and almost $60 million in the FY89 budget to operate equipment authorized and funded in previous years, most of which was provided by the

Anti-Drug Abuse Act of 1986. These facts further reduce the apparent growth to some $140 million.

This $140 million includes over $100 million in Acquisition, Construction and Improvements. The increase in this historically underfunded appropriation is more difficult to earmark, particularly since Coast Guard procurement has not had the luxury of a systematic time-phased modernization program. There are many combinations of procurement or construction projects that could be aggregated to make up the $101 million increase in this appropriation, but regretably the procurement of one of two sorely needed replacement Polar Ice-breakers is not among them. ROA again urges procurement (not lease) of this much needed capabilty for scientific and national security reasons. There is also $7 million more for alteration of bridges, a $24 million increase required for retired pay accrual, and there is a very modest $5 million increase for Reserve Training.

The limited growth in Selected Reserve strength requested for Fiscal Year 1989, a 13,000 end strength, although an increase of 1,000 from the level funded for this year, is still 500 less than requested for last year and 1,000 less than authorized by Congress for Fiscal Year 1988. Even more telling is the fact that a Coast Guard Selected Reserve strength of 13,000 is only 48 percent of mobilization requirements. In addition, it appears that the all too gentle slope of programmed growth will not permit the Coast Guard Reserve to reach 90 percent of requirements until the end of 1997. Congress has been sensitive to this glaring deficiency. In fact, the Fiscal Year 1988 Department of Defense Authorization Act included a provision stating that the Secretary of Transportation shall submit to the Congress "... a plan to enable the Coast Guard to meet 95 percent of its wartime mobilization requirements by September 30, 1998."

The Reserve Forces Policy Board, in its most recent annual report to Congress, noted the unique role of the Coast Guard and its Reserve Component. The report also succinctly summarizes the Coast Guard fiscal situation by stating, "This serivce is inadequately funded to accomplish assigned missions." Congress has the authority and power to correct that situation. ROA strongly recommends doing just that.

Thank you for the opportunity to present our position on the Coast Guard budget.

FEDERAL RAILROAD ADMINISTRATION FUNDING

AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS

STATEMENT OF WILLIAM T. DRUHAN

Chairman, my name is William T. Druhan. I am representing the American Association of State Highway and Transportation Officials (AASHTO). I appreciate very much your invitation to appear today to express the Association's views on a number of rail issues.

The Association is requesting appropriations for fiscal year 1989 for the continuation of the Local Rail Service Assistance Program, the Railroad Safety State Participation Program, state supported Amtrak trains, and the Redeemable Preference Shares and Loan Guarantee Programs (i.e., the Section 505 and 511 Programs).

Local Rail Service Assistance Program

AASHTO requests that the Local Rail Service Assistance Program (LRSA) be appropriated $35 million for fiscal year 1989. This amount represents a small percentage of the amount demonstrated as needed for the program. It is, however, the same amount being proposed in the bills reauthorizing the program.

The AASHTO policy position pertaining to this program states: "The rail line abandonments, mergers, and acquisitions encouraged by the deregulation of the rail industry continues to cause dislocations of shippers and disruptions of economies throughout the United States. There is a continuing need for funding for the acquisition and rehabilitation of portions of the rail systems that are required by the public interest but which are not supported by the private sector." The AASHTO policy also "urges Congress and the Administration to continue rail assistance programs and to join in the development of an alternative funding program for rail assistance to assure preservation of an efficient rail transportation system."

The LRSA Program was established by the Regional Rail Reorganization Act of 1973. It was originally designed to provide financial support to the states for the continuation of rail freight service on light density lines excluded from the Conrail system. Congress recognized that abandonment of thousands of miles of railroad would cause considerable hardship to many shippers and local communities in the region. The Railroad Reorganization and Rehabilitation Act of 1976 expanded the program to include all states. In 1978, the program was amended to provide capital assistance for rehabilitation and acquisitions before, rather than after, abandonment. In 1981, the program was further amended to specifically prohibit the use of funds for operating subsidies.

The LRSA Program requires that 30 percent of the funding come from non-federal sources. Actually, the states, railroads, and shippers have provided many times the amount required for this match. Although non-federal funding has been provided in excess of the required amount, it should be recognized that in most instances these funds would not have been made available without federal and state "seed funds". In some instances the state funds would not have been available without federal "seed funds".

Although considerable efforts have been made and there have been significant accomplishments, the problems this program was designed to alleviate have not been eliminated. During the past few years, the railroad industry has been undergoing a number of major changes. The industry has been revitalized; it has gone from the brink of bankruptcy to modest profitability. These changes have been brought about primarily by partial deregulation, tax benefits, major technological improvements, and competition. Another development has been the merger of a number of large railroads. These mergers resulted in many branchline abandonments. No region in the country has been exempted by the surge to rationalize systems.

One of the most significant changes in the railroad industry in the past few years has been that in many instances service has been maintained on lines

that in the past would have been abandoned. This has been made possible through a proliferation of shortlines and what are termed "regional railroads." Reportedly over 150 such railroads have been formed in the past few years. The formation of these new railroads represents a significant change from prior practices. Prior to the enactment of the Staggers Act in 1980 when railroads were completely regulated, it was in the carrier's best interest to neglect service and maintenance on marginally profitable lines until they became so run down there was no alternative to abandonment. Between 1980 and 1987 these lines were sold to entrepreneurs while they were still viable. The lines were attractive to new owners because the sales prices were reasonable and the newly formed railroads could utilize efficient operating procedures not available to large carriers. The sales prices were reasonable because the ICC interpreted the Staggers Act as not requiring the selling railroad to pay displaced workers "New York Dock" protection (generally full wages and benefits for six years). These new railroads, however, do have a number of difficulties, albeit different from those of the selling carrier. Unlike large Class I railroads, regional railroads do not have an economy of scale, maintenance facilities, management specialists, etc. Also, many new carriers under estimate the cost of the massive rehabilitation work invariably necessary. Moreover, it is difficult for many of these new carriers to obtain adequate capital. This becomes painfully evident when there is a derailment or a bridge washout. Although these incidents are not necessarily major catastrophes, they are nevertheless uncommon occurrences that are not always adequately considered when determining capital needs. Thus, many of these new carriers need assistance in getting organized and/or in order to continue operations after an unscheduled mishap.

These new railroads are essential to many communities throughout the country. It is in everyone's best interest that assistance be provided to enhance their survival. State rail agencies have been instrumental in the formation and continuation of many of these railroads. In order for these activities to continue, it is essential that the LRSA Program be adequately funded.

At the present time the continuation of forming new railroads is in doubt. The 3rd U.S. Circuit Court of Appeals affirmed a lower court ruling of labor's right to be at the negotiating table when railroads seek to sell branchlines. The court agreed with labor's contention that such sales impact work rules and conditions to a major degree and therefore subject to the provisions of the Railway Labor Act, not the Interstate Commerce Act (as amended by the Staggers Rail Act of 1980). The issue will undoubtedly be appealed to the Supreme Court and considered by the Congress. In the interim, whether railroads again revert to abandoning branchlines or are able to consumate sales with labor concurrence, there will be a continuing, if not expanded, need for the LRSA program. Many communities adversely affected by abandonments or proposed sales are solely dependant upon rail service. LRSA is essential to these needs.

In July 1987 in response to a congressional request, the United States General Accounting Office (GAO) examined issues related to abandonments and issued a report entitled "Rail Abandonments--Abandonment Activity and Shippers' Views on Rail Service Loss." It examined (1) the amount of mileage filed by railroads for abandonment and ICC's action on rail abandonment requests between 1970 and 1985, (2) shippers' and local officials' perspectives on the abandonment process, and (3) shippers' views on the effects of rail abandonments on their shipping operations. It reported that the ICC approved 39,783 miles for abandonment during the study period. With minor exceptions, "denial rates were less than 6 percent of the total mileage ICC considered each year." In brief the results of the study were:

> "Some rail shippers and community officials had difficulty obtaining railroad financial data and said ICC allowed them insufficient time to prepare evidence for an abandonment case. Shippers said their unfamiliarity with the abandonment process added to their difficulties. While ICC regulations specify that it is to inform shippers of available assistance, it does not normally do so until after the shippers have submitted their protest documents. By informing shippers of available assistance when railroads first notify ICC of their intent to abandon a

line, ICC would allow shippers a better opportunity to obtain advice on how to best prepare their cases.

"State transportation officials and rail shippers were also dissatisfied with ICC's consideration, during the abandonment process, of railroads' alternative investment opportunities when deciding a case.

"Most shippers had found trucks to be an available, though more costly, substitute method of transportation after the abandonment. Shippers of bulk commodities appeared to have suffered more severe hardships. In some cases they found it necessary to relocate their businesses or modify their shipping facilities after rail abandonments."

The GAO report points up the fact that the LRSA Program is essential to the needs shippers in preventing abandonments. Although difficulties with the ICC were emphasized by GAO, it should be recognized that proposed abandonments are the root cause of the problem and the LRSA Program is necessary to alleviate the problem as well as the difficulties caused by the ICC.

Last year Congress mandated that FRA conduct a study to determine the extent of deferred maintenance on Class II and III railroads. The study is presently estimated to be completed in September. Although the exact extent of deferred maintenance is not known at this time, it can be reasonably assumed that the amount is significant. The mandating of the study was surely based on the knowledge that a major problem exists; it is only the magnitude of the problem that is not known. The LRSA Program is designed to assist in alleviating deferred maintenance problems. LRSA must be continued with an appropriation this year and not await the completion of the FRA study which will define the magnitude of the problem.

During the last few years Congress has earmarked most of the funds appropriated for this program. We respectfully ask that Congress refrain from this practice. In the past FRA has had a practice of only partially funding projects; that is, it did not provide the full 70 percent federal share. In this way the extremely limited amount of federal funds were leveraged over a much larger number of projects than if a selected few were fully funded. In addition, this partial funding assures that the projects selected for assistance are very deserving because it requires the financial assistance in excess of the minimum 30 percent requirement be provided by parties other than the federal government. Also, the earmarking of projects for full 70 percent funding reduced the amount of available funds to such a degree that it was not possible to distribute funds by the formula provided in the Act. Thus, only a few states received any assistance and the vast majority of states were deprived from undertaking federally assisted projects in accordance with their criteria and priorities.

Railroad Safety State Participation Program

AASHTO supports an appropriation for the Railroad Safety State Participation Program for fiscal year 1989 in an amount sufficient to reimburse the states for 50 percent of the costs of the program as authorized by the Act. We estimate this to be $3.775 million.

AASHTO's policy position regarding rail safety provides in part: "AASHTO strongly supports the financial role that the federal government must play in order to insure a continuing federal-state railroad safety participation program promulgated by the Rail Safety Act of 1970."

One of the purposes of the 1970 Act was to form a partnership with the states to assist in solving mutual safety problems. It was not intended to abrogate the federal responsibility for rail safety. State participation in the program is encouraged by the payment of up to 50 percent of state program costs by the federal government. This is not a "grant-in-aid for railroad safety" as characterized by the Administration. Rather, it is a partial reimbursement for salaries and expenses incurred by states in assisting the federal government in its rail safety responsibilities.

Presently 31 states participate in the program and engage 103 inspectors. Rhode Island withdrew from the program last year. Senator Pell wrote Senator Lautenberg saying "My own state of Rhode Island (has) been forced to drop out of the program entirely because of the decrease in federal funding. If the remaining fiscal year 1987 funding is deferred, the safety inspection program may cease entirely." Fortunately, the deferral of 1987 funding was rejected. Nevertheless, it is obvious that unless it is fully funded the program is very tenuous. This year Utah has informed the FRA of its intention to cease participating in the program. Considering the level of funding other states may be forced to take the same action.

The appropriation for fiscal year 1988 was only $950,000. Applications for reimbursement by the states amounted to $3.4 million. Thus, instead of being reimbursed for 50 percent of the program costs the states received only 15 percent of these costs. In addition, when the states incurred or committed their costs they were not aware that the reimbursement would be less than the authorized 50 percent. This was very disruptive for a number of states. Fiscal year 1986 was the first year when states were not reimbursed the full 50 percent of costs; they received 39 percent. In fiscal year 1987 they received 24 percent. With the cut to 15 percent in 1988 it is likely that additional states will withdraw from the program.

FRA supplements the function of state inspectors from participating states and conducts all of the inspections in those states not participating in the program. FRA also monitors the overall administration of the program. This partnership has provided a uniform enforcement of the federal standards among the states. Congress has continually encouraged greater state participation in the program. The success of this program is not questioned. In addition to reductions in derailments, as you are aware, the railroad accident and injury rates have decreased considerably in recent years. Although it cannot be stated that this is directly attributable to this program, there is an obvious relationship.

Among the problems encountered by the states in attempting to expand its program, however, is the fact that the states are unable to pay inspectors' salaries comparable to the federal wage scale. Therefore, if any or all states discontinue participation in this program, and if the present level of safety effort is to be maintained, the FRA appropriation must be increased to pay all the costs presently being incurred by the states as well as an additional amount to compensate for the wage differential for the federal inspectors replacing the state inspectors.

In summary, Mr. Chairman, failure to adequately fund this program will seriously impair, if not terminate, the existing partnership between the federal and state safety inspectors thereby reverting to the chaotic situation which existed prior to the establishment of this program in 1970. In our opinion, it is unreasonable to fail to adequately fund this small program because it could result in adversely affecting safety. Conversely, the justification for eliminating the required funding for this program does not purport to enhance safety.

State Supported Amtrak Trains

The Association supports an appropriation to Amtrak in an amount sufficient to compensate for the revenue deficiencies from operations for its present system and for an adequate capital improvement program. In particular, AASHTO desires that sufficient funding be provided to allow Amtrak to continue to operate the state supported services [the so-called Section 403(b) trains].

Amtrak is an essential national transportation system. Among other things, Amtrak assists in alleviating highway and airport congestion in a cost effective and energy efficient manner. Amtrak serves many communities which do not have bus and/or air service. Also, automobile travel is not available to a large segment of the young, elderly, lower income, and disabled travelers. Failure to adequately fund Amtrak at this time would deprive a large number of citizens their only means of intercity transportation and detract from the balance in our national transportation network.

Currently, state supported Section 403(b) trains are operating in six states: California, Illinois, Michigan, Missouri, New York and Pennsylvania. As provided in the Rail Passenger Service Act, as amended, these trains are supported by the respective states in the amount of 65 percent of the short-term avoidable loss and 50 percent of the associated capital costs. These trains are an intrical part of Amtrak's basic system. These trains are comparable to branchlines in the freight system; they provide a feeder system for the trunkline operations. These trains are becoming increasingly more successful and consequently considerably enhance Amtrak's revenue derived from its basic system trains.

The debate regarding the pros and cons for continuing federal subsidization of intercity rail passenger services has been going on since the formation of Amtrak in 1971. It was recognized at inception that the necessary support would be very expensive. It was for this very reason that railways needed relief from the burden of continuing the service and Congress agreed to establish Amtrak. In recent years Amtrak has made considerable improvements in its revenue to cost ratio; the amount of Federal funding has declined over 50 percent in constant dollars between 1981 and 1988. Moreover, Amtrak has proposed a number of amendments to federal legislation that would further considerably reduce the amount of federal support needed and at the same time provide better service and additional compensation to Amtrak employees. Congress has expressed a desire to reduce the budget deficit as much as possible. Therefore, in furtherance of this goal Congress should permit Amtrak to reduce the amount of government support needed by granting relief from unwarranted federal requirements enumerated by Mr. Claytor in Amtrak's request for an appropriation.

In supporting appropriations to Amtrak it should be clearly understood that AASHTO is unalterably opposed to having the appropriated funds be derived from the highway trust fund. AASHTO believes that it is imperative that the integrity of the highway trust fund be maintained. AASHTO opposes the withdrawal of funds from the highway trust fund for purposes other than the support of the federal-aid highway and public transportation programs. AASHTO also opposes any additional motor fuel taxation which would be used for purposes other than the support of the federal-aid highway and public transportation programs.

It has been conservatively estimated that annual requirements to maintain the current federal-aid highway system exceed $20 billion. Estimated tax receipts into the highway portion of the trust fund are only about $13 billion in fiscal years 1988 and 1989. Obligation authority, however, for the federal-aid highway program for fiscal year 1988 has been limited to $11.8 billion and the Administration's budget request for fiscal year 1989 is $11.4 billion. Clearly, insufficient funds are being made available to satisfy highway needs. Moreover, the fact that there is a large balance in the highway trust fund is because the states are not being allowed to spend available funds and does not mean that these funds should be considered surplus to highway needs. The use of these funds has been restricted in an effort to reduce the federal deficit and should not be made available for other purposes.

In addition, when contemplating withdrawing funds from the highway trust fund sight should not be lost of the fact that the fund was commenced with a firm commitment to the contributing taxpayers that it would be used solely for highway needs. There are a number of worthy transportation programs warranting federal support--and as I said, AASHTO believes Amtrak is one of these programs--but it would be a breach of faith to use the highway trust fund for a non-highway program.

Due to insufficient federal funding there has been a steady increase in state funding for highway programs. Motor fuel taxes are relied upon by the states as the traditional source of highway program revenues as well as for other transportation needs. Therefore, any action by Congress to increase the federal taxes on motor fuel for purposes other than the federal-aid highway program are strongly opposed by AASHTO because such additional taxes severely hamper the ability of the states to raise their own motor fuel taxes and adequately fund state transportation programs. The difficulty states are having in obtaining adequate revenue is demonstrated by the fact that 33 states

introduced legislation for motor fuel tax increases during 1987 but only 14 of those states were successful in having increases enacted. In 1986 only 8 of 23 states were successful in obtaining increases. Obviously, if the federal tax was increased for other than highway purposes, even fewer states would be able to increase their taxes.

AASHTO recognizes Amtrak's necessity to have a fixed funding source in order that it can carry out its planning and operations in an orderly manner. In addition to emphasizing that this source should not be the highway trust fund, it should be parenthetically mentioned that given the experience in recent years for all federal funds, it is not believed there is any guaranteed methodology for such funding. Programs relying on the highway trust fund and the airport and airway trust fund have had considerable difficulty in administering their programs due to Congressional delays in approving appropriations and granting insufficient obligation authorities. Granted, unlike in the case of Amtrak, the highway and air programs have not been threatened with extinction, but nevertheless their continuity has been interrupted.

Railroad Rehabilitation and Improvement Financial Assistance

Finally, Mr. Chairman, AASHTO requests an appropriation for the continuation of the railroad rehabilitation and improvement financial assistance programs.

The Railroad Revitalization and Regulatory Reform Act of 1976 provides for rehabilitation and improvement financing for railroads through the purchase of redeemable preference shares of the applicant railroad by the federal government (Section 505) and guaranteed loans for principle and interest for obligations of railroads (Section 511).

The Redeemable Preference Share Program has been used primarily for rehabilitation projects designed to eliminate deferred maintenance. The Loan Guarantee Program has been used to support critical freight car and locomotive rehabilitation programs, track upgrading projects, and the funding of labor protection payments to former employees of the Milwaukee Road.

The programs have been very successful as evidenced by many worthwhile projects undertaken. FRA reports that the programs made a major contribution in relieving programs requiring immediate redress. It also reported that the programs have helped minimize the adverse impact of deferred maintenance on the national rail system by stemming deterioration of lines and by providing for rehabilitation of needed equipment which the recipient carriers would not otherwise have been in a position to undertake.

As previously mentioned, recent mergers between several Class I railroads has resulted in major rationalizations. This in turn spurred the formation of many shortline and regional railroads. The formation of these railroads and the continuation of service on existing railroads is essential to the commerce of many communities throughout the country. In many instances, however, viability is dependent on assistance such as provided by these programs. For example, as I mentioned previously, most of the newly formed railroads have a large debt structure in proportion to their size and as related to other railroads due to being purchased by means of leveraged buy outs. The interest on the debt is a heavy burden for these carriers. Relief in the form of low interest loans provided by the Guaranteed Loan Program should be provided to these carriers to assure their ability to provide a needed service to many rural communities.

In summary, the success of these programs in the past has been amply demonstrated and the need to continue the programs is more than adequately supported.

Again, Mr. Chairman, I appreciate the opportunity to express our views on these matters. I would be pleased to attempt to respond to any questions you may have.

STATEMENT OF ALFRED E. EHM

1. This pertains to the Secretary's failure, for a period of four years, to issue a determination response to a written petition for rulemaking, as the Administrative Procedure Act, 5 U.S.C. 553(e) and 555(e), his own regulations, 49 C.F.R. Part 5.13 (1983), and the Acardi doctrine clearly require him to do. Exhibit 1.

2. As stated in the NRPC's "Amtrak Legislative Report," submitted to the Congress on Febr. 15 of each year pursuant to 45 U.S.C. 548(b), the United States own, in the form of preferred shares held by the Secretary of Transportation, almost 98% of the NRPC's stock. To permit the United States to properly vote its shares, the Rail Passenger Service Act, 45 U.S.C. 543 (a)(1)(E), provides for the appointment, by the Secretary, of two members of the 9-member Amtrak Board. Since the Secretary's appointees apparently function as his agents, it is reasonable to assume that they constitute "officers" of the United States as defined in 5 U.S.C. 2104.

3. Because the Secretary had since the effective date of subsec. 543 (a)(1)(E) not issued a rule or policy statement indicating on what basis he selected his two appointees to the Amtrak Board and what their duties and responsibilities were, I petitioned the Secretary on March 31, 1984, fully in accordance with the Secretary's published rulemaking regulations, to state in the Federal Register what the legal status and duties of his two delegates to the Amtrak Board are. Exhibit 2. As required by the Secretary's own rule, 49 C.F.R. Part 5.11 (1983), I submitted two copies of my petition under a cover letter to the docket clerk in the Office of the General Counsel of the Department of Transportation.

4. Still not having received any sort of response two months later, I requested of the docket clerk, on June 13, 1984, the date of docketing and the docket number of my petition for rulemaking. Exhibit 3. I again received no response. I then informed the Secretary on Sept. 25 that I was entitled, under 5 U.S.C. 553(e) and 555(e), 49 C.F.R. Part 5.13, and the Acardi doctrine, to receive a timely disposition of my petition. Exhibit 4. I again received no response.

5. On April 17, 1985, more than an entire year after I had mailed my original petition for rulemaking, I sent the Secretary a "notice of intent to sue." Exhibit 5. I then received on May 2 and 3 a call from a Mrs. Joanne Petrie in the Office of the General Counsel and from a Mr. Lawrence Wagner in the Office of the General Counsel of the FRA, to the effect that no record of my petition could be found anywhere. I then mailed an additional copy of my petition to Mrs. Petrie on May 4, as she had requested.

6. On May 14, 1985, I then received a genial call from a Mr. Robert Clothe, who stated that (1) no record of my petition and the three follow-up inquiries could be found in the Department, (2) no explanation could be offered for the Department's failure to process and respond to the petition, and (3) the rulemaking petition had been duly received and was sent to the FRA's General Counsel for a determination response. This then was the last that I heard about my petition. Illness and other concerns prevented me until now from following up on my petition. Moreover, the political climate has been such since 1984 that no adequate relief could be expected from any source.

7. The Subcommittee may wish to consider that the Secretary's failure to comply with his own regulation, by failing in the course of four years to process a petition for rulemaking and to render an appropriate decision, violates the Acardi doctrine. U.S. ex rel. Accardi v. Shaughnessy, 347 U.S. 260 (1954). This doctrine, reiterated by the Supreme Court repeatedly, holds "that regulations validly prescribed by a government administrator are binding upon him as well as the citizen, and that this principle holds even when the administrative action ... is discretionary." Service v. Dulles, 354 U.S. 363 (1957).

8. It is obviously detrimental to the orderly administration of justice to permit a government officer to blatantly disregard his own legally binding regulations, not to mention such cornerstone provisions of the Administrative Procedure Act as 5 U.S.C. 553(e) and 555(e). I, therefore, respectfully petition the Subcommittee to include this statement in the written record of the hearing.

[EXHIBIT 1]

UNITED STATES CODE, TITLE 5

CHAPTER 5 -- ADMINISTRATIVE PROCEDURE

Sec. 553. Rule making

...

(e) Each agency shall give an interested person the right to petition for the issuance, amendment, or repeal of a rule.

Sec. 555. Ancillary matters

...

(e) Prompt notice shall be given of the denial in whole or in part of a written application, petition, or other request of an interested person made in connection with any agency proceeding. Except in affirming a prior denial or when the denial is self-explanatory, the notice shall be accompanied by a brief statement of the grounds for denial.

CODE OF FEDERAL REGULATIONS, TITLE 49

PART 5--RULEMAKING PROCEDURES

Subpart B—Petitions for Rulemaking or Exemptions

§ 5.11 Filing of petitions.

(a) Any person may petition the Secretary to issue, amend, or repeal a rule, or for a permanent or temporary exemption from any rule.

(b) Each petition filed under this section must:

(1) Be submitted in duplicate to the Docket Clerk, Office of the General Counsel, Department of Transportation, Washington, D.C. 20590;

(2) Set forth the text or substance of the rule or amendment proposed, or of the rule from which the exemption is sought, or specify the rule that the petitioner seeks to have repealed, as the case may be;

(3) Explain the interest of the petitioner in the action requested including, in the case of a petition for an exemption, the nature and extent of the relief sought and a description of the persons to be covered by the exemption;

(4) Contain any information and arguments available to the petitioner to support the action sought; and

(5) In the case of a petition for exemption, unless good cause is shown in that petition, be submitted at least 60 days before the proposed effective date of the exemption.

§ 5.13 Processing of petitions.

(a) *General.* Each petition received under § 5.11 of this part is referred to the head of the office responsible for the subject matter of that petition. No public hearing, argument, or other proceeding is held directly on a petition before its disposition under this section.

(b) *Grants.* If the Secretary determines that the petition contains adequate justification, he initiates rulemaking action under Subpart C of this part or grants the exemption, as the case may be.

(c) *Denials.* If the Secretary determines that the petition does not justify initiating rule-making action or granting the exemption, he denies the petition.

(d) *Notification.* Whenever the Secretary determines that a petition should be granted or denied, the office concerned and the Office of the General Counsel prepare a notice of that grant or denial for issuance to the petitioner, and the Secretary issues it to the petitioner.

[EXHIBIT 2]

Before the DEPARTMENT OF TRANSPORTATION
of the United States

In the Matter of the Petition
of ALFRED E. EHM for the Adoption
of an Administrative Rule pertaining
to the two Agents Appointed by the
U.S. Secretary of Transportation
Pursuant to 45 U.S.C. 543(a)(1)(E)

Petitioner above-named hereby respectfully petitions and requests that the Secretary of Transportation exercise her rule-making authority as follows:

By due adoption of a regulation that states explicitly

(1) whether the two individuals appointed by the Secretary to the Amtrak board of directors pursuant to sec. 303(a)(1)(E) of the Rail Passenger Service Act, 45 U.S.C. 543(a)(1)(E), are in fact subordinates and agents of the Secretary, and whether or not they serve at the Secretary's pleasure;

(2) whether the Secretary's two appointees constitute "officers" and "employees" of the United States pursuant to 5 U.S.C. 2104 and 2105;

(3) whether the Secretary's two appointees serve on the Amtrak board ex officio;

(4) what the specific powers, duties, responsibilities, and liabilities of the Secretary's two appointees are; and

(5) whether the Secretary's two appointees serve and function under the direct supervision of the Federal Railroad Administrator and/or the Director of the FRA's Office of Passenger and Special Programs.

This petition is submitted for the reason that the majority stockholder of Amtrak stock is the United States and that the public has a right to know what the legal and/or contractual relationship is between the two preferred stockholder representatives and the Secretary. Petitioner is prepared to participate in the consideration of the proposed rule by submitting written comments.

Alfred E. Ehm

March 31, 1984

Alfred E. Ehm
170 Carousel Drive
San Antonio, Texas 78227
512/673-8982

[EXHIBIT 3]

Docket Clerk
Office of the General Counsel
U.S. Department of Transportation
400 Seventh Street
Washington, DC 20590

June 13, 1984

Re: Petition for Rule-Making

On or about March 31 I mailed to you two copies of my petition for rule-making. A copy is attached for your information. As of today I have not received a notification that the petition was docketed.

I respectfully request that you inform me of the date the petition was docketed and the docket number. Thank you, for giving this matter your prompt attention.

Alfred E. Ehm

Encl.

Alfred E. Ehm
170 Carousel Drive
San Antonio, Texas 78227

[NO RESPONSE RECEIVED]

[EXHIBIT 4]

Hon. Elizabeth H. Dole
Secretary of Transportation
400 Seventh Street
Washington, DC 20590

September 25, 1984

CERTIFIED MAIL
P 534 789 565

Dear Mrs. Dole:

This is to confirm that as of this date I have not received a response to my petition for rule-making of March 31, nor to my follow-up inquiry of June 13. See enclosures. I interpret your failure to respond as an arbitrary denial of my petition and respectfully inform you hereby that I will seek judicial relief under 5 U.S.C. 701 et seq. and 28 U.S.C. 2412(d) to enforce my rights under 5 U.S.C. 553(e) and 555(e).

Very truly yours,

Alfred E. Ehm

Alfred E. Ehm
170 Carousel Drive
San Antonio, TX 78227

Encls.

P 534 789 565

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to	Dep't of Transportation
Street and No.	400 7th Street
P.O. State and ZIP Code	Washington DC 20590
Postage	$ .37
Certified Fee	.75
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	
Return receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	$ 1.12
Postmark or Date	SEP 25 1984 SAN ANTONIO, TX VALLEY-HI BR. USPO

PS Form 3800, Feb. 1982 * U.S.G.P.O. 1983-403-517

[NO RESPONSE RECEIVED]

[EXHIBIT 5]

Hon. Elizabeth H. Dole
U.S. Secretary of Transportation
400 Seventh Street
Washington, DC 20590

April 17, 1985

CERTIFIED MAIL
P 647 479 568

Dear Mrs. Dole:

This is a notice of intent to sue.

1. On March 31, 1984, I submitted, pursuant to the public rights granted by 5 U.S.C. 553(e) and 49 C.F.R. 5.11, a petition for the issuance of a rule. Your own regulation, 49 C.F.R. 5.13, provides for the prompt issuance of a determination response to the petitioner. The Acardi doctrine requires that you scrupulously observe your own rules. Service v. Dulles, 354 U.S. 363 (1963); Burnaman v. Bay City IDS, 445 F.Supp. 927, 936 (S.D. Tex. 1978).

2. On June 13, 1984, over 60 days following the docketing of my petition, I sent a follow-up inquiry. Section 6(d) of the APA, 5 U.S.C. 555(e), requires you to give prompt notice of the denial in whole or in part of a written application or other request. As of this date I have not received a response to my follow-up request.

3. On Sept. 25, 1984, I sent you, by certified mail, my notice of intent to sue. As of this date I have not received a response from you.

4. Your failure to respond to my rule-making petition and the two follow-up inquiries constitutes "agency action unlawfully withheld" under 5 U.S.C. 706(1) because it deprives me of my public rights under 5 U.S.C. 553(e) and 555(e), 49 C.F.R. 5.11, and my fifth amendment right to due process.

I desire to avoid litigation, but will bring suit against you under 5 U.S.C. 702 and 28 U.S.C. 1331, if this is the only way to vindicate my rights under 5 U.S.C. 553 and 555.

Very truly yours,

Alfred E. Ehm

Alfred E. Ehm
170 Carousel Drive
San Antonio, TX 78227
512/673-8982

PS Form 3800, Feb. 1982 ★ U.S.G.P.O. 1983-403-517

SAN ANTONIO, TX MAIN STA. APR 17 1985

Sent to	U.S. Dept of Tran
Street and No.	400 7th Street
P.O., State and ZIP Code	Washington DC 20
Postage	
Certified Fee	
Special Delivery Fee	
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NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

STATEMENT OF ROSS CAPON, EXECUTIVE DIRECTOR

Mr. Chairman, thank you for considering the views of our non-profit, consumer-oriented association. We greatly appreciate the key role you, Senator D'Amato, and the subcommittee have played in protecting Amtrak and mass transit from a White House which does not understand their importance.

I. AMTRAK: STRONG FINANCIAL PERFORMANCE AND CONTINUED CAPITAL NEEDS

We support a $650 million appropriation for Amtrak. This would be:
o 27% below the FY '81 appropriation of $896.3 million;
o 5% below the FY '85 appropriation of $684 million; and
o 12% above the FY '88 appropriation of $581 million.
This would permit an appropriated capital investment program of about $100 million. Amtrak has sought a $630 million authorization, but Amtrak Pres. W. Graham Claytor Jr. said "We're asking for no increase though we desperately need one."

NARP's request reflects Amtrak's need for new equipment. We believe our request is consistent with much of Federal Railroad Administrator John H. Riley's testimony this year. On Mar. 31, he told a House subcommittee "Amtrak loses [Northeast Corridor] revenue because it doesn't have enough equipment." On Jan. 29, he told the President's Commission on Privatization, "We are throwing money away for lack of sleeping cars. There is very little marginal cost to adding sleepers, enormous marginal revenue."

Riley seems to favor a major investment in new rollingstock for Eastern long-distance trains. He enthusiastically told the Privatization Commission: purchase of the Superliners cut unit maintenance costs 50% on the Western routes within a year; much of the Eastern equipment is "approaching 40 years old"; and new equipment could give Eastern trains the same maintenance costs benefits Superliners gave to the Western trains.

We also support Amtrak's request for $30 million for the Northeast Corridor (NEC) Improvement Project. Extension of the modern CETC signalling system is needed to improve both the safety and efficiency of the NEC.

Comparison with Foreign Systems: Our proposed Amtrak+NEC total would be far less than the $1.05 billion/year-for-5-years British Rail capital program included by the Conservative government of Margaret Thatcher in its recently-released public expenditure statement for 1988. The January 21 Journal of Commerce report on the government statement said this 3 billion pound program was one of British Rail's "most intensive renewal programs....British Rail will spend the money electrifying lines and adding new terminals and rolling stock."

Similarly, the Spanish transport minister recently announced plans to invest $19 billion in its rail network over the next 12 years ($1.58 billion/year), much of this for two new high-speed lines: a north-south link (Seville to French border) and a "second triangular route joining Madrid, Barcelona and Valencia." (Journal of Commerce, Mar. 1).

From a May 3 Journal of Commerce report: "Plans for a north Europe high-speed train network linking Eurotunnel to Britain

and the continent 'must now be considered irreversible,' French Transport Minister Jacques Douffiagues said. Transport ministers and officials from Belgium, France, West Germany, Great Britain and the Netherlands met in Paris recently to discuss progress in the project to connect major cities in the five countries. Plans are to bring an integrated rail system between London, Paris, Brussels, Cologne, and Amsterdam into service in 1993 when Eurotunnel opens. West Germany has agreed to extend the line to Frankfurt by 1993. At a side meeting, the ministers said they may build a high-speed rail link between eastern France and southwestern Germany. Mr. Douffiagues said...the ministers welcomed the study being carried out by Britain on increasing rail capacity between London and the tunnel entrance."

An Impressive Performance: Amtrak passenger-miles in 1987 equalled 84% of the intercity rail passenger total in 1970, the last full year of all-private-sector operation, though Amtrak runs only about half the trains and half the route-miles which the private railroads ran during 1970. In other words, Amtrak--as many hoped--transformed an uncoordinated network with many duplicative and/or poorly-patronized trains and routes into a coordinated network of heavily-used trains.

The 1987 passenger-mile total was the fifth consecutive increase, and the second consecutive "record" year for Amtrak; in other words, passenger-miles in FY 1986 (5.0 billion) and 1987 (5.2 billion) both topped the previous record--4.9 billion--set in 1979 when Amtrak had a much larger route structure plus an extraordinary ridership increase caused by severe gasoline availability problems.

Moreover, recent ridership increases have come even as commercial revenues covered a rising share of Amtrak costs. Amtrak's 64% FY 1987 revenue-to-cost ratio was the sixth consecutive increase. (The last time this measure declined was in 1980, after the extraordinary 1979 "gasoline crisis"/route-reduction year.)

Continued Capital Investment is Vital: As Riley made clear to the Privatization Commission, a major reason for Amtrak's improving financial performance is the large amount of late 1970s/early 1980s Amtrak capital investment. To insure Amtrak's future economic vitality and continued growth of Amtrak's ability to alleviate aviation congestion and safety problems, the recent decline in Amtrak capital investment should be reversed. Amtrak ridership is increasingly limited by the supply of rolling stock--and not just during the traditional holiday peaks.

To maintain and improve service quality and on-time performance of the Metroliners and all other Amtrak trains originating in New York's Penn Station (some conventional NEC, New York-Florida, New York-Pennsylvania-Chicago, New York-Atlanta-New Orleans, and New York-West Virginia-Cincinnati-Chicago), **major improvements are desperately needed at Amtrak's Sunnyside Yard in New York City.**

Amtrak and rail freight service quality is threatened by a growing track problem--largely the result of public policies that enable truckers to achieve greater labor productivity than railroads and which permit the largest, most rail-competitive trucks to pay only 50-55% of true road "cost responsibility."

o Chicago-St. Louis should hold great potential for rail travel, but tracks are deteriorating due to the poor financial health of the recently-formed Chicago Missouri and Western,

which owns the line; speed limits have been reduced, slowing the run by 20 minutes and leaving Amtrak with no time advantage over the automobile.

o The Soo Line acquired the old Milwaukee Road St. Paul-Chicago line a few years ago; the May 15 Amtrak timetable adds 90 minutes to the St. Paul-to-Chicago "Empire Builder" running time. Of course, these problems also hurt freight service quality.

Finally, stations in important cities such as Detroit, St. Louis, and Memphis need replacing.

We have suggested to the authorizing committees that part of an adequate Amtrak capital budget might be earmarked for a matching funds program for states. Today, states face overwhelming pressure to focus all transport investment on aviation and highways, since federal funds are readily available for those modes but not for rail. This encourages states to ignore rail even where it could do the job better.

II. MASS TRANSIT

We support a funding level at least as high as the current level, and strongly oppose the massive cut requested by President Reagan. We are appalled at the claim of Urban Mass Transportation Administrator Alfred DellaBovi, in response to a question from NARP Transportation Associate Harriet Parcells at a Feb. 19 budget briefing, that "mass transit is not a solution to those [clean air and foreign oil dependency] problems."

Former Colorado Gov. Richard Lamm, now Prof. of Public Policy & Contemporary Issues at the Universtiy of Colorado, was closer to the mark--and to the mainstream of thinking on these matters--when he told National Public Radio (All Things Considered, Jan. 4) the only way to cut Denver's air pollution is to plan growth and development around efficient mass transit systems: "I sense right now that we have taken all of the easy options [to make our air cleaner]....I think that Denver, painfully but inevitably, is going to have to say we can't continue to have low-density sprawl all the way down to Colorado Springs and all the way up to Fort Collins and hope to have any kind of air quality in the metropolitan area."

As for energy efficiency, the 20 states with the lowest per capita gasoline consumption include all but one of the 8 states and the District that have heavy dependence on rail transit. (The exception is Illinois, where the Chicago area's strong performance presumably is offset by the state's large rural population and by many urban areas with no rail transit, including--until completion of the planned light rail project--East St. Louis.) 3 of the nation's top 4 performers are among the 9 rail-oriented jurisdictions: District of Columbia #1; New York #3; Pennsylvania #4.

Transit also addresses: other environmental concerns (notably clean water and efficient use of land), mobility for those without cars, and safety (transit is far safer than the automobile).

The administration seems hostile towards rail transit of all kinds. We think neglect of rail and particularly light rail is a major flaw in much urban-area U. S. transportation planning. Buses in very large numbers can worsen the very problems transit is supposed to solve: congestion and air pollution. Buses have lower capacity per vehicle than rail, so a larger number of buses than rail cars are required to handle a like number of

passengers. Furthermore, since buses have an inferior ability to attract commuters from their cars, buses are likely to be competing for road space with a larger number of cars.

Light rail deserves consideration in many non-rail corridors, both in metro areas with and without existing rail transit service. We are pleased Austin, TX, is seriously considering light rail, and Maryland is poised to build the 27-mile Baltimore-area light rail system Gov. William Donald Schaefer proposed and to study other light rail opportunities statewide.

While old railroad rights-of-way are increasingly recognized as useful places for new rail transit lines, many corridors which could support rail transit lack such rights-of-way but do have arterial highways which could be creatively redesigned to accommodate light rail. (One local example: Colesville Road northeast from Silver Spring, MD, where light rail could reduce pressure for massive highway improvements the affected neighborhoods oppose.)

Furthermore, light rail often can be more useful and economical than huge parking garages in feeding riders to heavy rail systems. Light rail feeders are available to everyone, not just those who own cars and can get them into the garage before it fills to capacity; light rail does not create the congestion/pollution headache that big garages do.

The heavy federal funding bias towards highways hinders consideration of badly-needed new rail transit projects. We find it unthinkable that the federal funding bias should be intensified as President Reagan has requested.

III. "TOUGH CHOICES"

We have heard Secretary Burnley talk about the administration's belief that "tough choices" are required and that the right ones involve killing Amtrak--even though Mr. Burnley included Amtrak funding in his recommendation to the White House--and crippling mass transit.

In case you will be facing more or less the "tough choices" Secretary Burnley described, I need to make clear why we think the administration, in giving Amtrak nothing and cutting transit drastically, made the wrong choices.

In seeing more aviation spending as the only solution to aviation problems, and more highway spending as the primary solution to highway problems, the administration's budget overlooks important interrelationships among the various transport modes. The Journal of Commerce said it well in a Dec. 7, 1987 editorial, "Expensive Talk":

> "The cold facts of budget austerity notwithstanding, James Burnley...seems ready to spend money. Even doubling the number of air traffic controllers and quickly completing installation of the FAA's new computer system, he told the Air Transport Association before his swearing-in ceremony, would not eliminate constraints on airlines' ability to meet passenger demand. Said the secretary: 'We need more large airports and reliever airports in this country.'
>
> "It's clear that there is an airport capacity problem.... But it is not clear that the nation either needs or wants massive new investments in terminals and tarmac. Before it joins the growing lobby for a huge airport construction program, we hope the DOT will do some serious thinking about

less expensive ways to deal with capacity constraints. We'd like to suggest a few that deserve consideration.

"One is stiffer landing fees....[which] might encourage airlines to use limited airport and airspace resources more efficiently.

"Another is differential pricing....Airlines have little incentive to use airports and airspace evenly throughout the day, because the charges are the same at any hour. [NARP note: President Reagan's latest annual economic report supports takeoff/landing fees that adequately reflect both direct costs and such indirect expenses as the costs of congestion.]

"Finally, the Reagan administration should abandon its overwhelming reluctance to look at alternatives to air transportation, particularly passenger rail service. In a number of important transportation corridors in the Northeast, Southern California, Texas and the industrial Midwest, high-speed rail transportation could significantly reduce demand for relatively short flights.

"The administration has objected to rail service because of the operating subsidies involved, but this opposition at times seems penny wise and pound foolish. Spending $50 mill. or even $100 mill. a year to subsidize passenger trains between Boston and New York doesn't look so bad if the trains draw enough passengers to eliminate the need to pour billions into new airports in both cities."

We would add that Amtrak is already providing major airport relief--which the administration likes to pretend does not exist--along the New York-Washington line, as well as in the New York-Albany and New York-Hartford markets, where Amtrak is the preferred carrier for government travel, and on the Los Angeles-San Diego run, where Claytor wishes Amtrak was the preferred carrier. Anectodal evidence suggests that New York-Providence and New York-Boston business travel on Amtrak is growing significantly despite 3:50 and 4:35 running times.

We also believe the long-distance trains should continue in light of the important benefits they provide:

o Transportation heavily used by those with lower incomes and by the elderly. 47% of Amtrak passengers who ride for 12 hours or longer on the same train have household incomes under $20,000.

o Transportation for those who won't or can't fly--the number of people who have temporary medical flying disabilities is very large.

o Transportation for many communities with no other form of public transportation. The per-passenger subsidy involved is much lower than with airplanes, since the latter are usually flights provided solely for a few communities whereas Amtrak's rural service is a by-product of service between major cities and involves little or no incremental cost.

o All-weather reliability and safety characteristics generally superior to those of other modes. The mayor of Hastings, NE, said at the Mar. 17 Senate reauthorization hearing, Air is "not reliable nor is it quality service. Almost any change in our weather will bring fly-overs to Hastings. If our people really need to be in Denver or Omaha, they will take Amtrak to be sure." It is not unusual for Amtrak to be the only common carrier operating during a major blizzard.

o A matchless way to enjoy the nation's natural beauty, and the only practical way for those who can't drive hundreds of miles.

o Preserving rail access to major cities. Several major cities with corridor service potential are served by Amtrak only with long-distance trains, including Dallas, Denver, Houston,

Las Vegas, New Orleans, and Pittsburgh. Operational rail passenger service keeps terminals in place, reducing the capital investment and logistical problems to be encountered in conjunction with future efforts to provide fast corridor trains to the same cities.

The fact that even President Reagan is proposing some transit funding suggests transit's claim to federal funding is better understood.

In short, railroads and rail transit use land and energy more efficiently than do other modes; land and energy are finite resources and future generations will need the rail mode even more than we do.

At his Nov. 17, 1987, Senate Commerce Committee confirmation hearing, Secretary Burnley said during the last five years (1983-1987) the federal government spent $27 billion on aviation, of which only $16 billion came from the trust fund.

Sometimes it seems as if the U. S. has a double standard. The key question in dealing with aviation, highways, and waterways is: what can we build to relieve congestion? The key question in dealing with railroads: how can we avoid spending any more money? It also seems as if the appropriations subcommittees on transportation have been like the fabled little boy holding his finger in the dike waiting for the rest of the nation to wake up.

Since the **Coast Guard** is also competing for "function 400" money, I need to call the subcommittee's attention to these excerpts from the Apr. 10 New York Times front-page story, "Drug Users, Not Suppliers, Held Key Problem": "The Federal Government's programs to control drug abuse are failing because they emphasize a futile crackdown on suppliers while neglecting the more important task of weaning the American public from its habits, according to a range of experts in the drug fight.... 'Supply reduction has been an abject failure,' said Dr. Lloyd D. Johnston, a social psychologist at the Institute for Social Research at the University of Michigan, who conducts an annual survey of drug use by high school seniors and recent graduates for the Government. 'The supply of cocaine has never been greater on the streets, the price has never been lower, the drug has never been purer. **We've basically lost on the supply battle field and in my opinion will continue to lose even if we pour a quarter of the treasury into it.'"**

Let me end where I began, thanking you profusely for your crucial contribution to sane transportation policymaking. Growing demand for Amtrak service shows that you have been doing the right thing during these dark years, and we urge you to stay on the same path. More and more people will be joining you!

RAILWAY LABOR EXECUTIVES' ASSOCIATION

STATEMENT OF JAMES J. KENNEDY, EXECUTIVE SECRETARY-TREASURER

My name is James J. Kennedy. I am Executive Secretary-Treasurer of the Railway Labor Executives' Association and its National Legislative Director. The headquarters of the RLEA is located in the Railway Labor Building, 400 First Street, N.W., Washington, D.C. Accompanying me today is Mr. William G. Mahoney, counsel to the RLEA. On behalf of the nation's railroad employees whom we represent, I would like to convey our appreciation for this opportunity to present to you our position of strenuous opposition to the loss of rail passenger service in the United States and to the crippling of our urban mass transportation program which has been eminently successful for over two decades. We submit that an Amtrak appropriation of at least $630 million must be provided if Amtrak is to continue effective operations and that the urban mass transit appropriation simply must not be reduced.

The Railway Labor Executives' Association is an unincorporated association with which are affiliated the chief executive officers of all of the standard national and international railway labor unions in the United States. The organizations whose chief executive officers are members of the RLEA are listed below:

American Railway & Airway Supervisors Association, (Division of TCU);
American Train Dispatchers Association;
Brotherhood of Locomotive Engineers;
Brotherhood of Maintenance of Way Employes;
Brotherhood of Railroad Signalmen;
Brotherhood Railway Carmen of the United States and Canada, Division of TCU;
Hotel Employees and Restaurant Employees International Union;
International Association of Machinists and Aerospace Workers;
International Brotherhood of Boilermakers and Blacksmiths;
International Brotherhood of Electrical Workers;
International Brotherhood of Firemen and Oilers;
International Longshoremen's Association;
National Marine Engineers' Beneficial Association;

Seafarers International Union of North America;
Sheet Metal Workers' International Association;
Transport Workers Union of America;
Transportation•Communications International Union;
United Transportation Union; and
United Transportation Union, Yardmasters Department

I would like first to discuss the loss of Amtrak. I say "loss" advisedly because anything less than Amtrak's essential appropriation of $630 million would mean cuts in maintenance and operations resulting in a lowering of the quality of Amtrak's service that would render Amtrak incapable of long-term operation without huge additional infusions of capital in future years.

Amtrak has proved its worth. It has been worth the investment made in it by the employees and the unions and the taxpayers. It has surpassed expectations in its performance over the past few years and its future would look bright indeed except for the annihilation repeatedly proposed for it by the Administration.

When one examines the economics of each form of passenger transportation available to the public in this nation, one is immediately struck by the reality that without massive federal aid to each mode of transportation, none could exist. Federal aid, of course, takes many forms, direct and indirect, from outright grants to tax benefits. Whatever form federal aid takes it remains money going to passenger transportation that would otherwise be in the U.S. Treasury.

If full federal aid to the airlines, including tax revenues lost because of tax deductions for business travel, were considered in determining the cost to the taxpayer of each airline passenger, one would find that cost to be about 30% more than the cost for each passenger riding Amtrak.

The financial and social burdens to the states of eliminating a mode of transportation used by over 20 million of their citizens and which provides jobs for some 25,000 people in 44 states could not be borne by them. The Northeast Corridor,

owned by Amtrak, provides the means of commuter travel for tens of thousands of people every day. The individual commuter authorities simply could not fill the transportation gap that would be left by the elimination of Amtrak: and, we have not seen - and will not see - any rush of private companies or transportation authorities to buy and operate the Northeast Corridor.

It has been estimated that commuters on the New York-Washington segment of the Corridor would have to pay an additional $164 million annually and those on the New York-Boston segment would have to pay an additional $48 million. These amounts would be in addition to the $65 million annually which they now pay Amtrak.

The mass transit authorities in the Northeast Corridor, simply would have insufficient money to continue these commuter operations in the Northeast Corridor and it would be back to the clogged highways for hundreds of thousands of commuters from Washington to Boston with all of the environmental, health, and highway maintenance costs - all borne by the taxpayer - which that return to the highways would produce.

The losses to this country from the permanent elimination of rail passenger service will be many and great. These include the loss to many communities of their sole means of public transportation; the heavy impact upon low income and elderly passengers; national defense implications; the enormous capital waste involved; and the long-term adverse effects upon the overall quality of life in this nation.

The RLEA would like to focus for a moment upon the effects which the elimination of Amtrak will have upon railroad employees. We would first like to emphasize labor's significant role in the maintenance of Amtrak. Mr. Claytor's testimony points out in some detail the many and continuing sacrifices of Amtrak's employees. We would only note in addition that Amtrak's actual required appropriation is not $630 million, but $830

million of which $200 million or about 24% is provided by Amtrak's employees through their collective bargaining agreements with Amtrak.

According to information issued by Amtrak, some 21,000 Amtrak employees would be put out of work, as well as about 4,200 employees of other railroads who perform services for Amtrak if Amtrak should cease to operate as it most surely would if the Administration has its way. The loss of these employees would remove some $100 million annually from U.S. income tax revenues and $524 million from the revenues of those 44 states in which they work and live: as must as $85.8 million from Pennsylvania; $56.7 million from New York; $55.9 million from Maryland; $52 million from New Jersey, and so on. The removal of this large number of employees from the payroll of the railroad industry will have a significant adverse impact upon the railroad retirement system which the Congress recognizes will soon be in a most difficult situation in any event and has created a Commission to recommend a solution to its problems. The loss of Amtrak would, in the very near future, result in the removal of some $3.9 billion from the railroad retirement trust fund which provides income to 1,000,000 beneficiaries. It would also seriously increase the burden on the railroad unemployment insurance system which Congress is presently addressing through the passage of H.R. 2167 by the House and its pending consideration by the Senate.

What is the net gain - or loss - to the U.S. Treasury over the next 10 or 15 years if we junk Amtrak? The Administration hasn't told us. The Administration has said Amtrak would cost $8 billion over the next decade (a seemingly exaggerated figure since Amtrak has cost but a bit more than that (about $8.1 billion) over the past 18 years and if the present requested appropriation was frozen for 10 years could cost but $630 billion). However, the Administration does not say what the cost to the Government would be without Amtrak. Indeed, the loss of

tax revenues from Amtrak's unemployed alone would be over $1 billion not to mention similar revenue losses from the thousands of people and hundreds of companies, large and small, which exist as suppliers of Amtrak. The adverse effects on the quality of life in this country would be much greater than the money involved. One must face and answer the question whether the financial gain, if any (or perhaps loss), to this nation is sufficient to deprive ourselves forever of an efficient dependable rail passenger serve which some 20 million or more people now use each year. We must answer that question in the negative. Certainly, neither the Administration nor anyone else has provided supportive reasons for answering otherwise.

The RLEA considers it most unfortunate that Amtrak seeks through legislation to strip from its employees virtually every statutory protection they now possess in order, so it claims, to save an additional $80 million. In addition, Amtrak employees have accepted wages substantially lower than those received by their counterparts on freight railroads and work rules decidedly less favorable than those enjoyed by other railroad employees, all of which benefit Amtrak to the tune of about $200 million a year. Yet, Amtrak would now strip them of their coverage under the Railroad Retirement Act, Railroad Unemployment Insurance Act, and Federal Employees Liability Act, as well as certain contract rights established under the Northeast Rail Service Act and a limitation on their right to picket during labor disputes which has been upheld by the Supreme Court.

RLEA is of the view that detailed discussion of those subjects is more appropriate before those committees of the Congress with jurisdiction of their respective subject matters. However, in view of the detailed treatment given them by Amtrak in its prepared testimony, RLEA will address briefly the various employee rights which Amtrak would have this Congress eliminate and the grounds stated by Amtrak in support thereof.

1. Exemption From Railroad Unemployment Insurance Act

The basic ground stated by Amtrak in support of the removal of the RUIA insurance program is that the cost of railroad unemployment insurance is based upon the unemployment record for the entire railroad industry and not on the individual record established by Amtrak's employees. If this were a valid ground for elimination of railroad unemployment insurance with regard to Amtrak, it would likewise be a valid ground for removal from the program of any railroad which maintained a better unemployment record than the industry as a whole. In any event, it will be remedied by enactment of H.R. 2167.

Amtrak also states that its employees would "receive the same sickness benefits and larger unemployment benefits than presently provided under RUIA." Amtrak does not point out the fact that more employees qualify more quickly for unemployment benefits under RUIA than under most state programs and the employee benefits extend for longer periods. While most state programs expire in 26 weeks, RUIA covers employees with 10 to 15 years' service for 39 weeks and those with over 15 years' service for 52 weeks. H.R. 2167 which has passed the House and is presently pending before the Senate without opposition will not only increase the daily benefit for railroad unemployed and index future benefits, but also contains "experience rating" whereby employers with lower unemployment histories will get lower rates.

2. Exemption From The Federal Employers Liability Act

Amtrak argues that it could save $16 million annually if its employees were covered by state workers' compensation laws rather than FELA and that FELA creates an adversarial relationship between Amtrak and the employees involved because the employees must show Amtrak was at fault in causing the employees' injury.

FELA goes well beyond the subject of injury compensation. While FELA has proven effective for providing injury compensation, it has also proven to be a cornerstone of safety in the railroad industry and to be an important element in

establishing corporate accountability. Today this is extremely important given the serious flaws in the regulatory programs dealing with railroad safety that have been established over the years and the Federal Railroad Administration's weak enforcement of the safety laws.

Railroading is an inherently hazardous profession and FELA, as a negligence liability law specifically tailored to the character of the rail industry, is a most important safety incentive in that industry. This safety-enhancing feature of the law is as important to the public as it is to the workers. Safe working conditions translate into safety for passengers and for the communities through which trains travel.

Amtrak, of course, is not alone in seeking elimination of FELA. The entire railroad industry seeks its repeal. This interest in removing FELA from the statute books coincides with another development in the industry: the growing numbers of claims for hearing loss and occupational disease stemming from exposure to asbestos and other toxic substances being filed by railroad workers. Without FELA, the railroads, including Amtrak, would escape accountability and most of the financial responsibility for these types of injuries inflicted upon their employees.

With regard to the savings which Amtrak claims it could make if it were removed from FELA coverage, one must remember that that $16 million it claims it would save out of the $38 million that was paid out under FELA, was paid to employees under a negligence statute (FELA) which required Amtrak to be at fault in order to be liable. In addition, only 4% of FELA claims exceed $75,000 and these involve the most debilitating injuries.

Costs for Amtrak under state-type or no-fault system laws would be likely to be no lower than under FELA. Cost increases are similar under FELA and the Federal Longshoremen's and Harbor Workers' Compensation Act (a no-fault system). Between 1979 and 1984, payments per claim rose 137% under the latter program and

157% under FELA. In addition, 85% of FELA cases are settled without the employee hiring a lawyer, meaning that the payment of legal fees (usually based on a standard 25% contingency) is limited to 15% of the cases. The U.S. Department of Labor estimates that under the no-fault longshoremen's system legal representation is similarly obtained in about 15% of the cases.

As for the claim that FELA creates adversaries of Amtrak and its employees, experience demonstrates worker compensation programs to be no less adversarial. While only 1.1% of FELA cases are determined by the courts, much higher percentages of worker compensation cases are contested in many states, e.g., 13% in Mississippi and 27% in Illinois.

In any event, Amtrak is an integral and important part of the railroad industry and its employees should not be singled out for discriminatory treatment in the elimination of any of these important statutory rights as advocated by Amtrak. The issue of the continued existence of FELA and the other statutory repeals sought by Amtrak to apply solely to it, if worthy of consideration at all, should be the subject of consideration by appropriate committees of the Congress on an industrywide basis.

3. Exemption From The Railroad Retirement System

Amtrak here claims a savings of $45 million a year if allowed to withdraw from the Railroad Retirement System. This savings, of course, must be based upon Amtrak being able to wash its hands of any responsibility to existing retirees in the System including those railroad passenger service retirees who worked for Amtrak's predecessors in passenger service. Of course, any programs would be cheaper if those receiving benefits under it were excised. But in this case, given the state of the System and the dwindling employment in the industry, withdrawal from the System's rolls of several tens of thousands of Amtrak employees would very probably destroy the System before the newly created Congressional Commission could provide Congress with its recommendations for solving the System's problems.

We respectfully submit Amtrak's request to be relieved of its Railroad Retirement obligations is both misplaced and premature.

4. Limiting Labor Protection

The request by Amtrak further to limit the protection of its employees comes with ill grace. The employees of this railroad have made great sacrifices to keep it operating. Today they receive about 12% less than their brothers and sisters on other railroads. The operating employees sacrificed work rules and the manner in which their pay was determined resulting in tens of millions of dollars of savings for Amtrak. Only two years ago, rail labor acquiesced in Amtrak's legislative attempt to curtail the statutory protections enacted by Congress when it created Conrail. What Amtrak does not mention in this request is that its enactment would mean effective repeal of the protection statute for all employees who have Amtrak systemwide seniority. Amtrak is unique in that it is this country's only nationwide railroad so that an employee bumped from his job in Miami would have to take a job anywhere in the United States or be deprived of protection, even though he might be bumped from his new job within a few months and again be forced to move across the country. There is nothing comparable to Amtrak employees' nationwide seniority system on any other railroad in this country and we respectfully submit it would be manifestly unfair to Amtrak's employees to deprive them of what little statutory protection they retain particularly for the reasons stated by Amtrak.

5. Preventing Secondary Boycotts Against Amtrak

Amtrak has with this issue apparently determined to be a stalking horse for the entire industry. Amtrak has never been threatened with secondary picketing. Amtrak, of course, could be affected by secondary picketing should a railroad on whose property Amtrak operates be picketed. Amtrak has offered no reason why it should be singled out apart from the industry to be

exempt from secondary picketing. This effort of Amtrak's should be summarily rejected.

6. Transfers Between Amtrak and Conrail

The limited flowback rights between Amtrak and Conrail were enacted as the only means of obtaining the requisite number of employees for Amtrak to operate the Northeast Corridor. It was an essential condition of that legislation. Now that Amtrak apparently has sufficient employees it wants Congress also to remove that protection for employees. We submit such removal would be tantamount to Congress' reneging on a commitment to employees. We believe Amtrak demonstrates little respect for its employees' rights in seeking its elimination.

We respectfully submit while appropriation of $630 million is essential to the continued operation of Amtrak in a manner which we are convinced is required by the public interest, each of Amtrak's legislative proposals discussed above should be rejected.

Thank you.

URBAN MASS TRANSPORTATION ADMINISTRATION AND AMTRAK FUNDING

STATEMENT OF THE AMERICAN PUBLIC TRANSIT ASSOCIATION

APTA APPRECIATES THIS OPPORTUNITY TO COMMENT ON THE ADMINISTRATION'S FISCAL YEAR 1989 BUDGET REQUEST FOR UMTA-FUNDED PROGRAMS AND TO SHARE SOME OTHER THOUGHTS WITH YOU.

THE ADMINISTRATION'S BUDGET

MR. CHAIRMAN, ONCE AGAIN THE REAGAN ADMINISTRATION HAS SENT CONGRESS AN UNREASONABLE AND UNREALISTIC MASS TRANSIT BUDGET, AND ONCE AGAIN WE ARE COMPELLED TO ASK YOU TO REJECT IT. BY NOW, YOU ARE FAMILIAR WITH ITS MAIN POINTS: A 53 PERCENT REDUCTION IN FUNDS WHEN CONTRASTED WITH THE CURRENT YEAR, TERMINATION OF THE CAPITAL DISCRETIONARY PROGRAM, AN END TO OPERATING ASSISTANCE FOR ALL BUT SMALL URBAN AND RURAL SYSTEMS, AND A REDUCTION IN THE FEDERAL/LOCAL MATCHING RATIO FROM 80/20 TO 50/50.

IN MAKING THIS PROPOSAL, THE ADMINISTRATION ADOPTS A SHORTSIGHTED AND WRONG-HEADED NATIONAL TRANSPORTATION POLICY THAT TRIES TO PLAY MODE AGAINST MODE AND DEMANDS THAT CONGRESS CHOSE AMONG THEM. AT THE SAME TIME TRANSIT FUNDS WOULD BE CUT BY MORE THAN HALF, THE ADMINISTRATION ASKS FOR MAJOR INCREASES FOR AVIATION AND COAST GUARD PROGRAMS.

WE ASK THIS SUBCOMMITTEE TO DISMISS THIS ROB-PETER-TO-PAY-PAUL SCHEME. TRANSIT RIDERS WANT SAFE SKIES TOO. THEY WANT THEIR COMMUNITIES BETTER PROTECTED AGAINST THE THREAT OF ILLEGAL DRUGS FROM OFFSHORE. BUT THEY DO NOT FEEL THAT THE NEEDS OF THESE IMPORTANT PROGRAMS SHOULD BE BORNE ON THEIR BACKS.

IF ADOPTED, THE ADMINISTRATION'S BUDGET WOULD SIGNAL THE BEGINNING OF THE END OF THE NATION'S MASS TRANSIT NETWORK OF SERVICES. ROUTES WOULD BE ABANDONED, FARES INCREASED DRAMATICALLY AND JOBS LOST. STATE AND LOCAL GOVERNMENTS - WHICH NOW SUPPORT A GREATER SHARE OF TRANSIT SERVICES THAN DOES THE FEDERAL GOVERNMENT - CAN REPLACE ONLY SO MANY LOST DOLLARS.

IN ADDITION, THE THREAT OF SERIOUS FUNDING CUTS CONTINUES TO HAVE A DE-STABILIZING AFFECT ON THE MANUFACTURING AND SUPPLY SIDE OF THE TRANSIT INDUSTRY. THE CURRENT BUDGET CLIMATE DESTROYS OUR ABILITY TO PLAN LONG-RANGE, AND IT WEAKENS INVESTOR CONFIDENCE.

WE CONTINUE TO BELIEVE THAT TRANSIT NEEDS JUSTIFY FULL FUNDING AT THE LEVELS INCLUDED IN THE SURFACE TRANSPORTATION AND UNIFORM RELOCATION ASSISTANCE ACT OF 1987. ANYTHING LESS WILL CONTINUE THE PATTERN OF DISINVESTMENT IN OUR NATION'S TRANSIT SERVICES WHICH ALREADY HAVE BEEN BURDENED WITH A 47 PERCENT CUT IN FEDERAL ASSISTANCE IN REAL TERMS SINCE 1981.

TRANSIT'S NEEDS

TO REPEAT THE RESULTS OF APTA'S UPDATED CAPITAL NEEDS ASSESSMENT OF LAST YEAR: THE TRANSIT INDUSTRY NEEDS SOME $6.3 BILLION IN ANNUAL CAPITAL INVESTMENTS, INCLUDING TWO BILLION FOR BUSES AND FACILITIES, TWO AND A HALF BILLION FOR RAIL SYSTEM MODERNIZATION, $1.7 BILLION FOR NEW STARTS, AND NEARLY 90 MILLION IN VEHICLE AND FACILITY NEEDS FOR SMALL URBAN AND RURAL SYSTEMS. EVEN IF TRANSIT WERE TO BE FUNDED AT FULLY AUTHORIZED LEVELS, WE STILL WOULD BE $4 BILLION A YEAR SHORT OF WHAT IS NEEDED. THAT SIZE OF A SHORTFALL SIMPLY CANNOT BE MADE UP WITH NON-FEDERAL RESOURCES.

WE WERE PLEASED TO NOTE THAT THE RECENT REPORT OF THE NATIONAL COUNCIL ON PUBLIC WORKS IMPROVEMENT AGREED THAT THERE ARE SUBSTANTIAL, UNMET TRANSIT NEEDS. THE BI-PARTISAN TASK FORCE APPOINTED BY CONGRESS TO STUDY AMERICA'S INFRASTRUCTURE FOUND THAT THERE IS A NEED FOR A NATIONAL COMMITMENT - SHARED BY ALL LEVELS OF GOVERNMENT AND THE PRIVATE SECTOR - TO INCREASE CAPITAL SPENDING ON OUR TRANSPORTATION

AND OTHER INFRASTRUCTURE BY AS MUCH AS 100 PERCENT, CONTRASTED TO WHAT WE INVEST TODAY.

THE COUNCIL NOTED THAT THE FEDERAL GOVERNMENT MUST REMAIN A RELIABLE PARTNER IN FINANCING INFRASTRUCTURE, THAT WE MUST SPEND THE DOLLARS IN OUR TRUST FUNDS TO ACHIEVE THEIR INTENDED PURPOSES AND THAT WE SHOULD CONTINUE TO LOOK TOWARD MOTOR FUELS TAXES AS A FUNDING SOURCE FOR NEW FEDERAL INVESTMENT.

AS THE FEDERAL PROGRAM PREPARES TO MARK ITS 25TH ANNIVERSARY IN 1989, MORE IS BEING ASKED OF TRANSIT THAN EVER BEFORE. IN ADDITION TO OUR BASIC MISSION OF PROVIDING MOBILITY, TRANSIT IS BEING ASKED BY CONGRESS AND OTHERS TO HELP MEET AN EXPANDING LIST OF NATIONAL CHALLENGES:

- TO HELP CITIES MEET NEW, CLEAN AIR STANDARDS;
- TO FIND CLEANER ALTERNATIVE FUELS FOR OUR VEHICLES;
- TO SERVE AS AN OPTION TO SINGLE-OCCUPANCY VEHICLES AT A TIME WHEN WE ARE HOBBLED BY UNFAIR TREATMENT IN THE FEDERAL TAX CODE;
- TO MEET THE GROWING NEEDS AND DEMANDS OF OUR DISABLED CITIZENS WHO WANT TO PARTICIPATE MORE FULLY IN SOCIETY;
- TO GUARANTEE THAT TRANSIT OPERATORS ARE FREE FROM THE AFFECTS OF DRUG AND ALCOHOL ABUSE AND TO PROVIDE REHABILITATION TO THOSE WHO HAVE FALLEN VICTIM; AND
- TO MAINTAIN AN EVER-AGING INFRASTRUCTURE WITH DECLINING RESOURCES.

ANY FURTHER CUTS IN TRANSIT FUNDS WILL MEAN A CUT IN CLEAN AIR, LESS SERVICE FOR THE ELDERLY AND DISABLED, A REDUCED MARGIN OF OPERATING SAFETY AND MOST IMPORTANTLY, A COSTLY POSTPONEMENT OF THE INVESTMENTS WHICH EVENTUALLY MUST BE MADE.

OPERATING ASSISTANCE

MR. CHAIRMAN, I WANT TO MENTION AN IMPORTANT ISSUE THAT RESULTED IN SHARPLY LOWER LEVELS OF OPERATING ASSISTANCE FOR MOST TRANSIT SYSTEMS IN 1988. IN DECEMBER, CONGRESS DETERMINED THAT A FIVE PERCENT CUT IN OPERATING AID WAS NECESSARY. BUT WHEN UMTA PUBLISHED THE APPORTIONMENTS IN FEBRUARY, THE AGENCY FOUND IT NECESSARY TO REDUCE OPERATING CAPS FURTHER TO ACCOMMODATE AN INCREASE FOR SMALL SYSTEMS AUTHORIZED BY H.R. 2.

AS A RESULT, LARGE SYSTEMS IN AREAS OVER A MILLION IN POPULATION RECEIVED A CUT IN OPERATING AID OF MORE THAN EIGHT PERCENT; MEDIUM-SIZED SYSTEMS WERE CUT AN AVERAGE OF 12 PERCENT, AS WERE SYSTEMS IN NEW SMALL AREAS OF LESS THAN 200,000. THE INFLATION-RECOVERY INCREASE IN OPERATING AID AUTHORIZED FOR SYSTEMS IN OLD, SMALL AREAS WAS CUT TO LESS THAN SIXTEEN PERCENT FROM THE AUTHORIZED 32.2 PERCENT.

WE HOPE THAT DURING YOUR CONSIDERATION OF A SUPPLEMENTAL BILL FOR 1988, YOU WILL SEEK TO RESTORE THE UNINTENDED PORTION OF THESE CUTS THAT HAVE INTRODUCED FURTHER INSTABILITY TO THE DAY-TO-DAY OPERATION OF OUR SYSTEMS.

THE FACT IS, MR. CHAIRMAN, IT COULD HAPPEN AGAIN NEXT YEAR. THE LAW REQUIRES THAT SMALL SYSTEMS RECEIVE A COST-OF-LIVING INCREASE IN THEIR OPERATING CAPS - BY OUR ESTIMATE, OF 3.7 PERCENT. ANY FURTHER CUTS IN THE NATIONAL OPERATING CAP - OR EVEN A FREEZE - WOULD AGGRAVATE THE SITUATION BY FORCING MEDIUM AND LARGE SYSTEMS TO FINANCE THIS NEEDED ADJUSTMENT WITH FURTHER AND DEEPER REDUCTIONS IN THEIR OPERATING ASSISTANCE LEVELS.

APTA SUPPORTED THE INCREASES FOR SMALL SYSTEMS IN H.R. 2. WE DID SO WITH THE FULL EXPECTATION AND UNDERSTANDING THAT SUCH ADJUSTMENTS

WOULD BE UNDERWRITTEN BY AN EXPANDED OPERATING CAP, NOT BY CUTS IN OTHER SYSTEMS' FUNDS. BY OUR ESTIMATE, THE INFLATION ADJUSTMENT FOR SMALL SYSTEMS NEXT YEAR IS WORTH $4.6 MILLION NATIONWIDE, A LITTLE MORE THAN ONE TENTH OF ONE PERCENT OF THE UMTA PROGRAM. WE URGE YOU TO PROVIDED THESE FUNDS TO MEET THE REAL NEEDS OF SMALL SYSTEMS.

AT THE SAME TIME, MR. CHAIRMAN, WE URGE THIS SUBCOMMITTEE TO REJECT SECRETARY BURNLEY'S PLAN TO CUT CURRENT YEAR OPERATING FUNDS YET AGAIN - BY TWO PERCENT - TO FINANCE SUPPLEMENTAL FUNDING FOR THE COAST GUARD. AS NOTED EARLIER, FY 1988 OPERATING AID ALREADY HAS BEEN CUT IN A RANGE OF EIGHT TO 12 PERCENT FOR MOST SYSTEMS.

IN ADDITION, FURTHER REDUCTIONS AT THIS POINT IN THE FISCAL YEAR WOULD CREATE HAVOC AMONG GRANTEES, SINCE UMTA ALREADY HAS OBLIGATED MORE THAN FIFTY PERCENT OF ALL FY 1988 FORMULA FUNDS, INCLUDING MORE THAN $400 MILLION IN OPERATING ASSISTANCE.

IN FACT, ON APRIL 8 UMTA ANNOUNCED THAT ITS FORMULA GRANT OBLIGATIONS FOR THE SECOND QUARTER OF THE YEAR - $895 MILLION - REPRESENT THE LARGEST AMOUNT OF FUNDS RELEASED IN A QUARTER SINCE THEIR EXPEDITED GRANTS RELEASE PROGRAM BEGAN. FOR THIS, WE CONGRATULATE ADMINISTRATOR DELLIBOVI AND HIS STAFF. GIVEN THIS ACCOMPLISHMENT, HOWEVER, YET-TO-BE-APPROVED FY 1988 OPERATING GRANTS WOULD HAVE TO BE CUT DEEPER AND DISPROPORTIONATELY, SHOULD THE ADMINISTRATION'S TWO PERCENT REDUCTION PLAN BE IMPOSED. ONCE AGAIN, WE COULD FIND OURSELVES IN A SITUATION WHERE SOME TRANSIT SYSTEMS BEAR A GREATER BURDEN OF DEFICIT REDUCTION THAN DO OTHERS.

REJECTION OF THIS TRANSFER WOULD NOT ONLY STEM THE LOSS OF CRITICALLY-NEEDED OPERATING AID BUT SEND AN EARLY SIGNAL THAT CONGRESS IS NOT WILLING TO BE FORCED INTO MAKING UNNECESSARY CHOICES IN FUNDING OUR NATIONAL TRANSPORTATION PROGRAMS.

RESEARCH PROGRAM FUNDING

LAST YEAR'S CONFERENCE AGREEMENT ALSO INCLUDED LANGUAGE ORIGINALLY PROPOSED BY THE SENATE TO EARMARK UMTA RESEARCH FUNDS FOR A PROMISING RESEARCH AND DEMONSTRATION PROGRAM AIMED AT IMPROVING TRANSIT SERVICES TO PERSONS WITH DISABILITIES.

THE NATIONAL EASTER SEAL SOCIETY, AS PROGRAM ADMINISTRATOR, HAS SUBMITTED A ONE MILLION DOLLAR WORK PROGRAM TO UMTA FOR FUNDING IN 1988. TO FULLY ACHIEVE THE OBJECTIVES OF THIS IMPORTANT PROGRAM, THE EASTER SEAL SOCIETY ANTICIPATES AN FY 1989 FUNDING NEED OF $2 MILLION. WE URGE YOU TO SUPPORT THAT AMOUNT.

CHARTER REGULATIONS

I REGRET TO INFORM YOU, MR. CHAIRMAN, THAT ANOTHER FISCAL YEAR FUNDING CYCLE IS UPON US, AND THE CONTROVERSY OVER UMTA'S CHARTER SERVICES RULE CONTINUES TO FESTER, PARTICULARLY AMONG SMALL TRANSIT SYSTEMS AND THOSE WHICH PURCHASED CHARTER RIGHTS WITH NON-FEDERAL DOLLARS. THE CONGRESS' DIRECTION TO UMTA TO PRODUCE A REVISED RULE TO PERMIT PUBLIC SYSTEMS TO COMPETE FOR CHARTER SERVICES TO CERTAIN NON-PROFIT GROUPS HAS NOT YIELDED THE INTENDED RESULT. A REVISED RULE IS UNDER WHAT IS EXPECTED TO BE A PROLONGED REVIEW AT THE OFFICE OF MANAGEMENT AND BUDGET.

APTA BELIEVES IT IS TIME TO FREE TRANSIT SYSTEMS FROM THIS UNFAIR AND BURDENSOME REGULATION BY PUTTING THE APPROPRIATIONS COMMITTEES' COMPROMISE PLAN - OR ONE WITH GREATER FLEXIBILITY - INTO STATUTORY LANGUAGE.

CHANGING TRANSIT MARKETPLACE/TRANSIT 2000 TASK FORCE

MR. CHAIRMAN, IN SPITE OF THESE TIMES OF FISCAL CONSTRAINT, TRANSIT CONTINUES TO PROSPER, AND TO EXPLORE NEW WAYS OF SERVING AN EVER-CHANGING SOCIETY. IN 1986, TRANSIT RIDERSHIP TOPPED NINE BILLION TRIPS FOR THE FIRST TIME SINCE THE EARLY 60s. THIS PATTERN CONTINUED

A TREND LINE OF GROWTH AND EXPANSION SINCE THE TEMPORARY DIP IN PATRONAGE DURING THE RECESSION OF THE EARLY 80s.

THERE ARE THOSE WHO MISREAD THE NUMBERS TO CONCLUDE THAT TRANSIT'S ROLE IS ON THE DECLINE - THAT PUBLIC INVESTMENT IN TRANSIT HAS NOT PRODUCED IMPROVED PATRONAGE. THEY FAIL TO NOTE THE DEMOGRAPHIC AND OTHER FORCES THAT ARE RESHAPING OUR RIDERSHIP AND OUR MARKET. TRANSIT CONTINUES TO BE THE TRANSPORTATION MODE OF CHOICE OF THE VAST MAJORITY OF THOSE WHOSE WORK TRIPS TAKE THEM TO THE CENTER CITY FROM THE OUTSKIRTS, IN METROPOLITAN AREAS.

IN PARTS OF OUR NATION WHERE THE POPULATION HAS DECLINED, TRANSIT RIDERSHIP HAS HELD ITS OWN, EVEN INCREASED WHERE NEW VEHICLES AND FACILITIES HAVE BEEN PLACED INTO SERVICE. IN THE FAST-DEVELOPING SUBURBS OF OUR NATION'S CITIES AND IN THE SUNBELT REGIONS OF THE SOUTH AND WEST, TRANSIT'S GROWTH HAS BEEN THE GREATEST. THE POINT IS: THE TRANSIT COMMUNITY IS FACING UP TO THE CHALLENGE OF A CHANGING MARKETPLACE WHICH HAS MANY FORCES - LAND USE, DEMOGRAPHICS, TRIP PURPOSES AMONG THEM - THAT TRANSIT MANAGERS CANNOT CONTROL.

ASK LOCAL OFFICIALS IN SILICON VALLEY, CALIFORNIA, IN PHOENIX, IN DALLAS, HOUSTON, SALT LAKE CITY AND THROUGHOUT FLORIDA IF TRANSIT IS PART OF THEIR FUTURE. THEY CANNOT GROW WITHOUT IT. ASK MAYORS OF CITIES LIKE PHILADELPHIA, BOSTON, NEW YORK AND CHICAGO IF THEIR CITIES COULD SURVIVE WITHOUT TRANSIT. MASS TRANSIT SERVICES ARE AN INTEGRAL PART OF THE NATION'S GOALS TO PROMOTE THE ECONOMIC INDEPENDENCE AND MOBILITY OF ITS PEOPLE.

MR. CHAIRMAN, NATIONAL POLICY TO DIRECT THE FUTURE OF OUR NATION'S SURFACE TRANSPORTATION PROGRAMS IS AT A CRITICAL JUNCTURE. THE GOALS OF THE ORIGINAL UMTA ACT - TO UPGRADE VEHICLES AND FACILITIES, INCREASE RIDERSHIP AND STABILIZE FARES - REMAIN UNCHANGED, BUT THESE NEW FORCES ARE RE-SHAPING THE CONTEXT FOR PUBLIC POLICY-MAKING. APTA BELIEVES THERE IS A NEED FOR A FAR-REACHING PLAN TO MEET THE MOBILITY NEEDS OF OUR CITIZENS, AND ACCORDINGLY, WE HAVE FORMED THE TRANSIT 2000 TASK FORCE TO LEAD THIS EFFORT. UNDER TASK FORCE CHAIRMAN ROBERT KILEY OF THE NEW YORK METROPOLITAN TRANSPORTATION AUTHORITY, NEARLY 50 TRANSIT INDUSTRY LEADERS ARE AT WORK TO PROVIDE A BLUEPRINT FOR THE FUTURE. WE PLEDGE TO KEEP THIS SUBCOMMITTEE INFORMED OF OUR PROGRESS AND INVOLVED IN OUR WORK.

TO CONCLUDE, MR. CHAIRMAN, WITH A FEDERAL PROGRAM ROUGHLY HALF THE SIZE OF WHAT WE HAD IN 1981, TRANSIT IS GETTING ITS JOB DONE IN A FAST-CHANGING SOCIETY. BUT WE ARE UNABLE TO PLAN FOR THE FULL RANGE OF SERVICES A GROWING ECONOMY AND CHANGING POPULATION REQUIRE. WE NEED YOUR CONTINUED SUPPORT FOR AN UMTA BUDGET IN FISCAL YEAR 1989 AT FULLY-AUTHORIZED LEVELS.

City of Chicago and Chicago Transit Authority

Statement of David S. Williams, Jr., Acting Commissioner, Chicago Department of Public Works

On behalf of the City of Chicago and the Chicago Transit Authority (CTA), I wish to express our appreciation for the opportunity to submit testimony to the Senate Appropriation Subcommittee on Transportation. I am David Williams, Acting Commissioner of the Chicago Department of Public Works, and I am joined here today by Robert Paaswell, Executive Director of CTA.

Interstate Transfer Program.

Our testimony addresses an area of extreme importance to the Chicago region. The City of Chicago is a primary recipient of Interstate Transfer Transit and Highway funding. Our involvement in the program dates back to the trade in of the $2.3 billion Crosstown Expressway in the late 1970's. The Chicago region has approximately 9.5% of the remaining unobligated balance for the substitute highway program and approximately 15% of the unobligated balance for the substitute transit program. We wish to thank the subcommittee for the generous allocations of Interstate Transfer funding that it made in the past to the Chicago region.

We are here today to ask the subcommittee to fully appropriate the highway and transit substitute programs up to the authorized levels. We are also requesting the subcommittee to provide the Chicago region an earmark of $90 million for substitute transit projects and $140 million for substitute highway projects.

Our comments will focus primarily on the transit category. In FY1988 Congress appropriated $56.9 million to Chicago out of a national program of $123.5 million. This level represents a 38% reduction from the FY1987 level, more than any other single transit program. Chicago received an additional $38.5 million from a national reapportionment of $45.3 million. However, the reapportionment was a one-time occurance and under the current law cannot happen again. At the time the reduction was made withdrawal areas believed there was going to be an upward adjustment for FY1989. If a similar funding level of $123.5 million is appropriated in FY1989, the national substitute transit program will fall not only short of the $200 million authorized level, but will also fall far short of the program's actual needs.

We have conducted a survey of the national Interstate Transfer Transit funding needs for FY1989. The survey (attached) indicates that $254 million is needed by the 18 transit recipients to keep their projects fully funded. Aside from depicting the national need, the survey verifies that a clear majority of withdrawal areas preferred a FY1989 appropriation of $200 million.

The Interstate Transfer Program was designed to allow state and local governments to withdraw pending interstate highway projects and, in exchange, transfer the project value to other mass transit or highway projects. The underlying incentive of this offer was a

value-for-value trade: funding that would have been available for construction of the interstate segment is made available to construct substitute transit and highway projects. To maintain the value of the trade-in, state and local officials were led to believe that a sufficient level of appropriations and authorizations would be provided to fund the substitute projects in a timely fashion. Unfortunately, due to deficit reduction pressures, Congress has been unable to maintain a level of funding adequate to protect the values of the original interstate trade-ins, especially trade-ins which were made prior to 1981.

The Surface Transportation and Uniform Relocation Assistance Act of 1987 provided annual authorizations of $200 million for the Interstate Transfer Transit program. In FY1983 the substitute transit program was funded at $412 million. Since then the program as a whole has increased in size. Obviously authorizations and appropriations have not kept pace with the growing value of the Interstate Transfer program. This underfunding has caused serious concern in certain withdrawal areas because of the growing need for these funds. The reauthorization act provided some compensation for the inflationary effect that developed over the years. The act added $100 million to the unobligated balance of the Interstate Transfer Transit program. It does not, however, protect Interstate Transit recipients from future inflationary erosion. If appropriations are at the fully authorized levels in the future, funding should adequately meet the needs of substitute projects and complete the Interstate Transfer program by the early 1990's, a few years later than the original target completion date of 1990.

The Chicago region's need included in the national needs survey is $90 million. If the FY1989 Interstate Transfer Transit appropriation is at the fully authorized level of $200 million, we will receive approximately $14.7 million in formula funding. A discretionary earmark of $75.3 million would be required to match our FY1989 need.

On behalf of the Chicago Transit Authority and the public we serve, thank you for providing adequate funding to meet our needs over the past few years. Rather than just detailing what projects are being funded by this program, I would like to point out some of the benefits these funds are providing to the City of Chicago and surrounding areas.

Out of the request for $90 million, approximately $25.6 million is for the final increment needed for the construction of the Southwest Rapid Transit line. This is a nine-mile, eight-station extension of Chicago's rapid transit system from downtown Chicago to Midway airport on the southwest side of Chicago. The project is subject to a full funding agreement with UMTA. The contract assumes a set level of funding each year for the completion of the project. A funding allocation less than $25.6 million will cause construction delays and cost overruns not anticipated within the agreement. Chicago's request also includes $37.7 million to initiate the purchase of rapid transit vehicles for the Southwest extension. A funding delay for this acquisition will prevent us from acquiring vehicles in time for the new rail line's opening.

The Southwest Rapid Transit line will be a benefit to residents on Chicago's southwest side and neighboring suburbs. The corridor is one of the busiest in the nation and is the only area in Chicago not serviced by rapid transit. Along with improving travel times and accessibility, the line is assured to promote development in this area.

Another $12.8 million will be used to continue the rehabilitation of Chicago's downtown elevated structure, commonly referred to as the Loop. This is a key link in the rapid transit system which connects all of the lines that radiate from the Chicago business district. $3.9 million will go towards the rehabilitation of the Jackson Park elevated structure. Both of these projects provide for the continued use of Chicago's unique elevated transit system. The segments of elevated structure being worked on in this project, some which date back to the 1890's, has provided access for literally millions of riders to jobs, schools, shopping and social/cultural events over the years. The rehabilitation will ensure safe and efficient service for many years to come.

Two other projects were funded by the Interstate Transfer Transit funding program. The first, the Howard-Dan Ryan project, will be completed soon and will link rapid transit routes of similar demand to expand capacity, improve efficiency and increase reliability. The other program was the subway renovation project which modernized existing stations, platforms and tunnels along two subways serving downtown Chicago.

UMTA Section 3 Privatization Discretionary Program.

These projects along with the myriad of other capital projects being funded out of the Section 9 Formula and Section 3 Discretionary Capital programs are vital to the Chicago region. The provision of adequate funding for mass transit in Chicago is not left solely to the federal government. We have developed a federal-state-local partnership to assure that mass transit will continue to be a vital part of improving the Chicago region's well being. In recent years, UMTA has encouraged transit project proposals which involve and encourage private sector participation and funding.

The City of Chicago is pleased to announce UMTA's positive response to the City's proposal to involve the private sector in its transit project proposals. On April 20, 1988, in Chicago, Governor James Thompson and Mayor Eugene Sawyer made a joint press conference to announce the start of the West Loop Pedway Project.

This $32 million dollar underground pedestrian system will connect two major commuter stations on the west side of the Chicago River with new and expanding office development on the east side of the river near Chicago's Sears Tower building. An unused streetcar tunnel under the river will be revamped to make the connection. The two commuter stations serve some 60,000 commuters a day.

The $32 million dollar system will be funded, 70% by the private sector and 30% by the public sector (that is Federal, State and local agencies). Federal funding from UMTA Section 3 will amount to $7,500,000 of which $500,000 was awarded last year for

engineering work. The remaining $6,750,000 is being requested from UMTA this year (FY1988) for construction work.

In continuing our commitment to increasing local private sector participation in Chicago's transportation infrastructure, we have undertaken a major study to develop a transit distributor system to provide greater mobility in and through Chicago's congested Downtown central area which has a very high workplace density.

The number of jobs Downtown is expected to increase by 30% over the next ten years. The proportion of all jobs in the Chicago metropolitan area which are located Downtown is expected to increase from 16% to 19%, or one out of every five jobs in the Chicago metropolitan region.

We anticipate that the City will be requesting $2.5 million in UMTA Section 3 privatization discretionary funds to begin preliminary engineering on the new distributor system in FY89. The $2.5 million in Federal Section 3 funds will be matched by a combination of State, local, and private sector funds. Construction of new system is expected to be handled as a largely local effort with minimal requests for Federal assistance.

We urge the subcommittee to continue funding UMTA's Section 3 Privatization Discretionary Program at increased overall levels so that the City of Chicago's and other cities' transit project proposals which encourage private sector participation will be sufficiently funded.

CONCLUSION

To conclude, Mr. Chairman, we are specifically urging the subcommittee to fully fund the Interstate Transfer programs and consider our request for an earmark. We join the rest of the transit industry in rejecting the President's budget which would cut the entire transit program drastically. The industry can verify the dire consequences of such action and establish the productive use of federal transit assistance. We believe the subcommittee's previous rejection of such budget requests indicates that you agree with our position. Thank you very much for your support.

FY1989 Interstate Transfer Transit Funding Need

Withdrawal Area	FY89 Funding Need	Preference for Discretionary Funds	Preference for Formula Share of a $200M National Program[2]
Chicago, IL	$ 90,000,000	X	X
Baltimore, MD	70,000,000	X	X
Boston, MA	905,000	X	X
Cleveland, OH	8,591,200	X	X
San Francisco, CA	4,500,000[1]		
Memphis, TN	2,500,000[3]		X
Waterloo, IA	420,000	X	X
Duluth, MN	200,000	X	X
Washington, D.C.	250,000[3]		
Albany, NY	92,250[3]		
Fall River, MA to Providence, RI	68,000[3]		X
New York City, NY	72,000,000	X	X
Rhode Island	2,700,000[3]		X
Hartford-New Britain, CN	1,300,000[3]		X
Bolton to Killingly, CN	200,000	X	X
Portland, OR	560,000[1]		
TOTAL	$254,286,450		

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1. Withdrawal area's need for FY89 was not determined in time for use in this survey. The number given represents an estimate of the withdrawal area's formula share at a national appropriation level of $123.5M.

2. Withdrawal area contacts were asked if a preference was present towards receiving their appropriate formula share from a fully authorized Interstate Transfer Transit Program at $200M or at a level of $123.5M similar to the FY88 program.

3 Need based on withdrawal area receiving its formula share only. Formula shares based on estimates derived from Cost to Complete Balance table in House Report 100-202 and calculated FY88 allocations.

Survey Contact List

Chicago	Dick Hankett (312) 744-7767
Baltimore	Gunther M. Gottfeld (301) 333-3314
Boston	Jim Scanlon (617) 722-3364
Cleveland	Gerry Foster (216) 566-5730
San Francisco	Tom Bulger (202) 775-0079
Memphis	Janet Mencl (901) 722-7100
Waterloo	Walter Stevenson (319) 234-5713
Duluth	Jim Heilig (218) 722-4426
Washington, D.C.	Tom Burke (202) 939-8113
Albany	Jack Riley (518) 482-1125
MA. Fall River to Providence	Marybeth Mello (617) 494-2444
New York City	Tom Dawson (212) 835-0740
Rhode Island	Marybeth Mello (617) 494-2444
Hartford-New Britain	Marybeth Mello (617) 494-2444
Killingly	Marybeth Mello (617) 494-2444
Portland	Andy Cotugno (503) 221-1646

GEORGETOWN UNIVERSITY

STATEMENT OF REV. WILLIAM L. GEORGE, S.J., ASSISTANT TO THE PRESIDENT OF GEORGETOWN UNIVERSITY FOR FEDERAL RELATIONS

Mr. Chairman and members of the committee, I am Rev. William L. George, S.J., Assistant to the President of Georgetown University. Thank you for the opportunity to testify on the subject of Hybrid Fuel Cell Buses.

The Hybrid fuel cell bus project is well underway. In order to continue, I would ask the committee to provide $1.5 million for FY'89. These funds will be used to complete Phase I and initiate Phase II to evaluate the fuel cell/battery system in test bed busses. This will lead to a complete laboratory tested vehicle(s) to determine the overall effectiveness of the system.

In April 1987, an RFP was issued for competitive bids. In September, cost-sharing contracts were awarded to Energy Research Corporation and Booz-Allen & Hamilton. Cost-sharing will occur at the average rate of 12.9% over the next four years with possibly higher rates as we develop better fuel cells. Both companies have developed project management plans and work has begun on the system trade-off studies required in order to determine the best power system configuration for the transit bus application. In addition, however, Energy Research Corporation (ERC) is refurbishing their 7.5 kw breadboard fuel cell system which will be used in the initial hardware development. Booz-Allen and Hamilton have performed an initial economic study comparing the economics of future fuel cell powered bus systems with those of diesel powered bus. Their results indicate that the economics appear favorable for the fuel cell system. Argonne National Laboratory is providing the technical management for the project. Other organizations involved in the development include Los Alamos National Laboratory, Chrysler and Englehard corporations and the universities of Florida and Alabama.

General Motors has expressed an interest in working with us on the development of advanced fuel cell applications for this project with substantial cost-sharing. They are very optimistic about the future of fuel cell technology as an efficient alternative to the internal combustion engine. It is gratifying to see that commercial manufacturers are beginning to confirm our earlier conclusion that fuel cell vehicles (busses) are part of the equation in the not too distant future. As parallel research and development goes forward, we may be able to fit and evaluate the busses with various advanced fuel cells. What seems to have attracted industry to this project is the objective of producing an actual commercially useful bus.

Much has already been accomplished. The bus route on which the prototypes will be tested has been studied in great detail. Collecting data on the test environment (e.g. distance between stops, dwell times, % grades, etc.) will facilitate the evaluation of vehicle operation. This information has already been entered into a computer model and simulated runs have been made in order to select a vehicle which is the best suited to a fuel cell/battery power system. Trial fuel cell bus design integration studies have been completed which indicate that the actual prototypes can be currently manufactured with "off the shelf" busses which have been refitted with fuel cells. This will keep program costs in line and will allow for better study of fuel cell flexibility than if special busses were custom designed for this purpose.

As you know, this project has been carried out as a joint venture between the Department of Transportation and Energy. Up to this point, the Department of Energy has done an excellent job of promptly funding its portion of the project. Unfortunately, the Urban Mass Transit Authority (UMTA) has not been quite as cooperative. There have been numerous delays because UMTA has appeared

reluctant to transfer its portion of the 1988 funding necessary to carry out the Hybrid Fuel Cell Bus project. An interagency agreement has been set up for this project. Additional procrastination could have detrimental effects on the project's outcome, particularly once the busses have been begun to be manufactured. Therefore, I would ask the chairman to direct the Secretary of Transportation and the UMTA Administrator to release the department's share of the project funding as expeditiously as possible in order to eliminate any further setbacks.

The promise of fuel cell technology is increasing daily and we are looking forward to the day when our nation's cities and suburbs are served by clean, quiet and efficient busses. Private industry appears ready and willing to follow the government's lead towards the commercialization of fuel cells in a wide variety of applications.

On behalf of our President, Rev. Timothy S. Healy, S.J., thank you for the opportunity to testify.

MAJOR MILESTONES

FUEL CELL/BATTERY BUS PROGRAM - (Present Schedule)

Phase I

o Complete Trace-off Analysis and System Design of Fuel Cell/Battery propulsion System	Apr 1988
o Complete Fabrication of Fuel Cell and Battery	Oct 1988
o Complete FC/Battery Brassboard Assembly	Mar 1989
o Proof of Feasibility FC/Battery Propulsion System Verified	Sep 1989
o Select Phase II Contractor	Dec 1989

Phase II

o Complete Design of Bus Modifications and Integration	Mar 1990
o Complete Modifications and Integration of FC propulsion System in Prototype Buses	Sep 1990

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

STATEMENT OF HON. WYCHE FOWLER, JR., U.S. SENATOR FROM GEORGIA

MR. CHAIRMAN IT IS A PLEASURE TO ONCE AGAIN APPEAR BEFORE YOUR DISTINGUISHED SUBCOMMITTEE ON BEHALF OF MARTA, ATLANTA'S TRANSIT SYSTEM. THIS COMMITTEE HAS HISTORICALLY DEMONSTRATED A THOROUGH UNDERSTANDING OF THE PROBLEMS FACING MASS TRANSIT IN AMERICA, AND HAS ALLOCATED SCARCE FEDERAL ASSISTANCE IN AN EVEN-HANDED WAY CONSISTENT WITH NEED AND THE ABILITY TO JUDICIOUSLY UTILIZE THOSE FEDERAL GRANTS.

FOR FISCAL 1989, MR. CHAIRMAN, MARTA PLANS TO BE IN A MODE OF CONSOLIDATION, AND ITS FUNDING REQUEST OF $81 MILLION WILL SEEK TO COMPLETE PHASE C OF THE SYSTEM FROM DORAVILLE ON THE NORTHEAST TO ATLANTA'S INTERNATIONAL AIRPORT ON THE SOUTH, AND TO REQUEST THOSE FUNDS SOUGHT FOR PHASE D BUT NOT ALLOCATED LAST YEAR. (SEE MAP ATTACHED)

YOU WILL RECALL, MR. CHAIRMAN, THAT BEGINNING IN FISCAL 1984 MARTA REQUESTED $117 MILLION PER YEAR FOR FOUR YEARS TO BUILD AND BEGIN OPERATION OF PHASE C OF THE SYSTEM FROM DORAVILLE TO THE AIRPORT. THE TOTAL REQUEST OVER FOUR YEARS WAS $467 MILLION. ACTUAL EARMARKINGS FROM SECTION 3 DISCRETIONARY FUNDS TOTALLED $343 MILLION. THE SHORTFALL FOR PHASE C CAME TO $124 MILLION. MARTA HAS ACCOMMODATED MOST OF THIS SHORTFALL THROUGH THE USE OF LOCAL BOND MONEY, SAVINGS IN DESIGN, AND CONSTRUCTION ECONOMIES. THERE REMAINS, HOWEVER, $52 MILLION IN PROJECTS ELIGIBLE FOR FEDERAL FUNDING IN PHASE C. THIS AMOUNT IS INCLUDED IN OUR FY89 REQUEST.

LAST YEAR MARTA REQUESTED $124 MILLION WHICH REPRESENTED 75% OF THE $166 MILLION COST IN 1987 DOLLARS FOR A PORTION OF THE FOURTH PHASE (PHASE D) OF THE RAPID TRANSIT SYSTEM. THIS PORTION WILL EXTEND THE EAST LINE FROM AVONDALE THROUGH KENSINGTON TO THE INDIAN CREEK STATION. THE CONGRESS ACTUALLY EARMARKED $106 MILLION. THE SHORTFALL OF EARMARKING VERSUS REQUEST TOTALS $18 MILLION.

THE TOTAL COST OF THIS PORTION OF THE SYSTEM WILL INCREASE FROM $166 MILLION IN 1987 DOLLARS TO SOME $180 MILLION IN

1989 DOLLARS BROUGHT ABOUT BY AN APPROXIMATE 5% ESCALATION IN COSTS DUE TO INFLATION. THE FEDERAL SHARE OF THAT TOTAL IS $135 MILLION. SUBTRACTING THE FISCAL 1988 EARMARKING OF $106 MILLION, LEAVES A SHORTFALL OF $29 MILLION IN ELIGIBLE PHASE D FUNDING. THEREFORE, MR. CHAIRMAN LET ME PROUDLY SAY THAT, IF OUR REQUEST FOR THIS $29 MILLION IS APPROVED, THE FEDERAL SHARE OF MARTA'S PHASE D WILL TOTAL ONLY 29%. YOU WILL RECALL, MR. CHAIRMAN, THAT MARTA INTENDS TO FUND $330 MILLION OF THE $465 MILLION TOTAL COST OF PHASE D WITH 100% LOCAL BOND FUNDS.

THUS THE $52 MILLION REMAINING ELIGIBLE FROM PHASE C, PLUS THE SHORTFALL OF $29 MILLION IN PHASE D FUNDING CONSTITUTES MARTA'S FISCAL 1989 FEDERAL FUNDING REQUEST OF $81 MILLION FROM SECTION 3 DISCRETIONARY FUNDS.

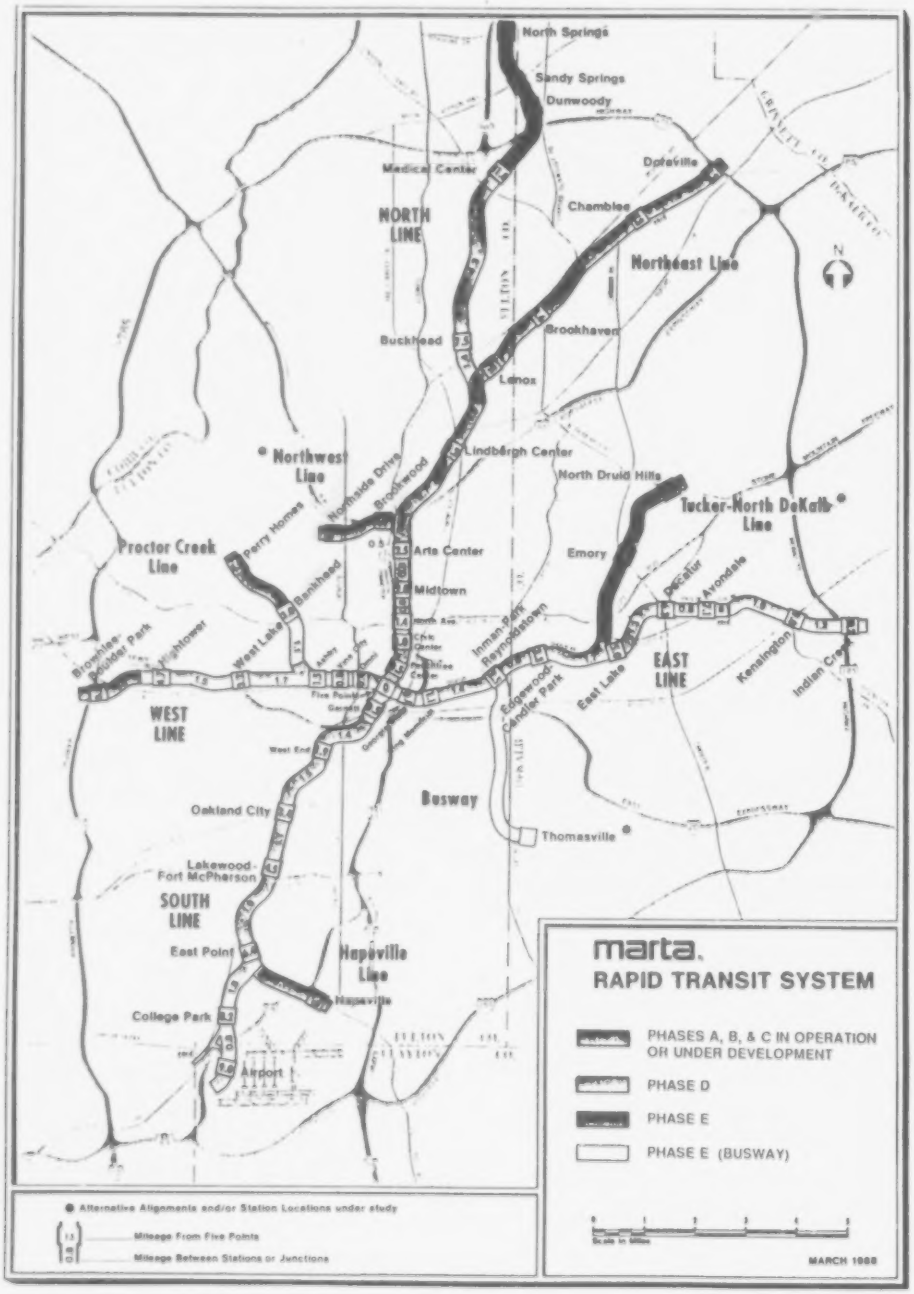
WE ARE PROUD TO REPORT TO YOU THAT SINCE WE TESTIFIED LAST SPRING, MARTA HAS OPENED AND PLACED IN REVENUE SERVICE THE 2.7 MILE LINE SEGMENT AND STATION ON THE NORTHEAST LINE AT CHAMBLEE. WE ALSO LOOK FORWARD TO BEGINNING REVENUE SERVICE JUNE 18 ON 2.6 MILES ON THE SOUTH LINE INCLUDING COLLEGE PARK AND THE AIRPORT STATIONS.

MR. CHAIRMAN, MARTA AND ATLANTA WISH TO TAKE THIS OPPORTUNITY TO EXPRESS THE REGION'S APPRECIATION TO THIS COMMITTEE FOR ITS DEDICATED AND FAR-SIGHTED WORK IN PROMOTING VITAL MASS TRANSIT PROJECTS AND THEIR OPERATION THROUGHOUT THE COUNTRY. THE COMMITTEE HAS BEEN GENEROUS IN ITS CONSIDERATION OF MARTA'S BUS AND RAIL SYSTEM. WE HOPE WE HAVE BEEN GOOD STEWARDS OF THIS CONFIDENCE AND HOPE WE CAN CONTINUE TO MERIT YOUR CONSIDERATION.

WE LOOK FORWARD TO SEEING MANY OF YOUR MEMBERS IN ATLANTA DURING THE DEMOCRATIC CONVENTION IN JULY. WE INVITE YOU TO COME, AND WE REMIND THE COMMITTEE THAT THE RAIL LINE FROM DOWNTOWN ATLANTA TO THE AIRPORT WILL OPEN IN JUNE AND WILL OFFER THE VERY BEST AND MOST CONVENIENT CONNECTION OF AN AIRPORT TO A MAJOR CITY OF ANY IN THE WORLD. WE THINK YOU WILL BE AS PROUD OF IT AS WE ARE, AND YOU DESERVE MUCH OF THE CREDIT FOR ITS TIMELY COMPLETION. IF ANY MEMBER OF THIS COMMITTEE WOULD LIKE TO SQUEEZE A TOUR OF MARTA INTO WHAT I

KNOW WILL BE A VERY BUSY SCHEDULE DURING THE CONVENTION, I WOULD BE DELIGHTED TO ARRANGE IT.

THANK YOU MR. CHAIRMAN FOR THIS OPPORTUNITY. WE WILL RESPOND TO YOUR QUESTIONS WITH PLEASURE



MARTA

FY89 Federal Funding Request

Executive Summary

System Description

The approved MARTA Rail System consists of 60 miles of lines, 45 stations, and 33,000 parking spaces. Thirty (30) miles and 27 stations are in service (Phases A and B, as well as a portion of Phase C). An additional 6 miles and 3 stations are under development and scheduled for completion during the next four years. This includes the College Park and Airport Stations which will open this summer (June, 1988).

At the present time MARTA is concentrating its efforts on completing Phase C of the System--the Northeast and South Lines--and on launching the recently approved fourth phase of the rapid transit system--Phase D. Phase D consists of 10 miles of track and 5 stations: The Proctor Creek Line to the Bankhead Station; the North Line to the Medical Center Station; and extension of the East Line to Indian Creek Station.

Benefits of System Expansion

The addition of Phase D to the MARTA System will generate substantial benefits in terms of new riders, travel time savings, operating cost savings and new commercial and retail development.

Local Financial Commitment

In 1971 the voters of the MARTA District approved a 1% sales and use tax dedicated to public transportation. The tax is currently generating in excess of $150 million per year in revenue--50% of which is used for capital programs and 50% for operating expenses. Historically, MARTA has over-matched federal construction grants. For example, to date MARTA has contributed 50% of the cost of building the rail system. This 50/50 partnership arrangement is expected to continue into the future.

FY89 Federal Funding Request

In FY89, MARTA is requesting a total of $81 million in Section 3 funds--$52 million to finish Phase C (The Doraville Segment); and $29 million to finish the East Line. This represents the difference between what was requested in FY88 and what was actually earmarked by Congress. If approved, then the federal share of Phase C will be 26%; and of Phase D, 29%.

MARTA Rail System
Expansion Program

Overview

On June 18, 1988, MARTA will extend passenger service on the South Line to College Park and the Hartsfield Atlanta International Airport thus achieving a major milestone in the development of public transit in the Atlanta area. At that time MARTA will have in service 32 miles of high speed rail transit lines with 29 stations located in the most heavily travelled corridors in Metropolitan Atlanta. Work on the last segment of Phase C--from Chamblee to Doraville--is underway and will be finished in the 1992 time frame.

The Authority, following an intensive review of its current and future plans, has selected and begun work on the next phase of rail construction. Identified as Phase D, this phase of construction consists of 10 miles of lines and 5 stations: the Proctor Creek Line to the Bankhead Station; the North Line to the Medical Center Station; and the extension of the East Line to the Indian Creek Station.

Phase D is an orderly expansion of the MARTA rail system that takes into account the needs of the existing system, current agreements, and development trends in the Atlanta Metropolitan area. The estimated cost of Phase D is $465 million, of which $135 million in federal funds is being requested.

FY89 Federal Funding Request

-- MARTA is requesting a total of $52 million in federal funds as the final installment on Phase C. This will bring the federal participation in Phase C to $185 million or 26% of the total cost.

-- In Phase D, MARTA is requesting federal financial assistance only for the East Line extension--from Avondale to Indian Creek. The total cost of this extension in 1988 dollars is $180 million. In FY88 MARTA requested $124 million of which Congress earmarked $106 million. In FY89 MARTA is requesting an additional $29 million.

-- $57 million in local funds will be used to match the federal funds for the East Line. In addition, the entire $285 million cost of building the other segments of Phase D will be provided from local resources.

Current Status of System Development

The approved MARTA Rail System consists of 60 miles of rail lines, 45 stations and 33,000 parking spaces. Development of the system is divided into five (5) phases. (See System Map.)

Phases A and B, consisting of 24 miles of track and 24 stations, are in service. Phase C, which runs from Lenox to Doraville on the Northeast Line and from Lakewood-Fort McPherson to the Atlanta Hartsfield International Airport on the South, consists of 11 miles of track and 6 stations. The Chamblee and East Point segments of Phase C are in service. Development of the remainder of Phase C is underway with opening dates as shown:

College Park	June 1988
Airport	June 1988
Doraville	December 1992

The Urban Mass Transportation Administration (UMTA) has contributed $1.232 billion or 70% of the $1.751 billion cost of building Phases A and B. If the current request of an additional $52 million for the Doraville segment is approved then the federal share of Phase C will be $185 million or 26%.

Work on Phase D is now underway. Preliminary schedules have been developed. The anticipated completion date of the East Line extension for which federal funds are requested is 1993. Schedules for the other segments of Phase D are in the review stage. The estimated federal share of the cost of Phase D is 29%, if the

additional $29 million requested for the East Line extension in FY89 is granted.

Phase E consists of the remainder of the approved System. Only planning work is taking place on this phase of the System.

Benefits of System Expansion

The addition of Phase D to the MARTA Rail System will provide substantial benefits in terms of increased ridership, reduction in per passenger operating cost, travel time savings and positive impacts on commercial and retail development in the Atlanta area.

Ridership

At the present time the combined MARTA Rail/Bus System carries 250,000 daily revenue trips. Daily ridership on the existing rail system is 185,000. When the North-South Line is complete, daily ridership on the rail system is expected to reach 210-230,000 passengers. With the completion of Phase D, daily rail ridership is expected to increase to 250-270,000. The East Line extension for which federal funds are requested will add approximately 12,000 new revenue trips per day to the MARTA System. We estimate that the extension has great ridership potential. This is demonstrated by the fact that the current terminus, Avondale Station, cannot satisfy the demands; its parking lots quickly fill to overflowing capacity everyday.

Operating Cost

MARTA has now reached the point where it is significantly cheaper to transport a boarding passenger by rail than by bus: 57¢ vs $1.18. MARTA's total cost per linked trip was $1.85 in 1987, compared to $1.60 five years ago. This modest increase is less than the inflation rate; i.e., the cost has decreased in real terms. As the System expands and matures, further productivity increases are expected.

Travel Time Savings

As the rail system is extended, significant additional travel time savings accrue to MARTA riders. A trip from East Point, the

current terminus of MARTA's South Line, to Lenox Square, one of the largest shopping malls in the Atlanta area now takes 24 minutes; the comparable trip by bus formerly took over an hour. When the Airport Station opens in June of this year, the trip from the Airport to downtown Atlanta will be reduced from 26 minutes to 15 minutes. Extension of the East Line to Indian Creek will reduce transit travel time in the corridor as much as 10 minutes. It will also allow many auto users, who cannot find space at Avondale Station, to switch to MARTA.

Development

The MARTA System has already stimulated a building boom around many stations. Georgia Pacific and Southern Bell have built 50-story office towers adjacent to the Peachtree Center and North Avenue Stations. IBM has recently opened its a 50-story signature tower at the Arts Center Station on land leased from MARTA.

With respect to Phase D, the North Line is located in the North Atlanta Corridor, one of the fastest growing corridors in Metropolitan Atlanta. Both the Buckhead and Perimeter Center/Medical Center areas of this corridor are projected to grow to equal or surpass the downtown area in office space.

At the Bankhead Station, which is located in a low income area, plans are underway to build a multi-purpose shopping and service center on the station site.

The East Line extension is located in an area which historically has served as primarily a residential area. The Atlanta Regional Commission forecasts a significant growth in both population and jobs within in the area. In 1970 the area had a population of 157,413 and employment of 38,242. By 1980 population had increased by 55% to a total of 243,893 while employment increased by 92% to a total of 73,300. By 2000 population will be 388,000 and employment 151,000. These dramatic increases in employment are the result of several major employment centers which are being built in the area.

East Line Extension Cost-Effectiveness Index

MARTA conducted an analysis of the cost-effectiveness of the East Line for submission to UMTA. The results indicated a cost-effectiveness index of $4.36. This compares favorably with UMTA's maximum threshold value of $6.00.

Local Financial Commitment

In 1971 when the voters of the Atlanta area approved the MARTA Plan, they also approved a 1% sales and use tax dedicated to public transportation. At the present time the MARTA tax is generating $150 million per year. Approximately 50% of the tax is used for capital programs, while the other 50% is used to provide a stable and dependable funding source for MARTA's operations.

MARTA's share of the cost of building Phases A and B is 30%; of Phase C is 74%; and, based on current financial planning, MARTA's anticipated share of Phase D will be 71%.

THE METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TX

STATEMENT OF ROBERT C. LANIER, CHAIRMAN

On behalf of the Metropolitan Transit Authority of Harris County, Texas (METRO), I appreciate the opportunity to submit this testimony concerning Houston's plans for Phase II of our integrated regional transportation system.

In 1978, the citizens of Houston made a commitment to improved urban mobility. They approved the development of a comprehensive transportation system plan designed to integrate improvements in arterial streets, freeways and public transit to meet the region's transportation needs. Although METRO has played a key role in this effort, it has required a high degree of cooperation among all of the major transportation agencies in the Houston area including the City, the County, the State Highway Department and METRO.

As part of this regional approach, METRO has initiated a program to construct 95 miles of dedicated public transitways in six major freeway corridors -- more than any other city in the world. In conjunction with 31 planned and existing park and ride facilities and extensive local feeder bus services, these transitways will more than double Houston's freeway capacity. METRO's Phase II plan which we are here to discuss with you today, will complete this system by providing a fast and reliable link between these transitways and the region's major employment centers. Based on extensive engineering and technical analyses, as well as broad public input and involvement, METRO is ready to move forward with the construction of a cost-effective 20-mile fixed guideway system to complete this link. Although METRO expects to finance a major portion of the capital cost of the "System Connector" from local sources, significant federal funding will be required to supplement these local efforts.

There are a number of reasons why this proposal meets the criteria established by this Subcommittee and by UMTA for federal support. First, and I believe most important, is that the Phase

II System Connector will allow METRO to complete an integrated, comprehensive public transportation system which will meet the mobility needs of the region well into the next century. Second, METRO is committed to a cost-effective project design, based on realistic ridership and capital cost projections and tailored to meet Houston's unique transportation needs. Third, METRO is prepared to match a federal Section 3 commitment to the project with significant contributions from other sources including state, local and private funds. Fourth, there is strong local government, private sector and community support for the project. METRO's Phase II plan was approved by the voters in a special referendum held on January 16, 1988. Fifth, and finally, METRO is prepared to cover the entire cost of operating the system from non-federal sources, including the proceeds of its dedicated one-cent sales tax. We believe that this combination of factors warrants the strong support of both the Congress and UMTA.

I. COMPREHENSIVE URBAN MOBILITY PLAN

A. Background

During the 1960s and 1970s, Houston and the Harris County area experienced tremendous population growth. This growth has made Houston the largest city in Texas and one of the nation's largest cities with a regional population of 3.2 million (Houston PMSA). Although slowed in recent years as a result of the economic difficulties facing the oil and petro-chemical industries, it has not stopped.

Despite the current economic downturn, the consensus projection is that Houston's population will increase significantly by the year 2000. During this period, development patterns will continue to be focused around four principal activity and employment centers. These are: the Central Business District (approximately 178,000 jobs in 1988); Galleria/Post Oak (approximately 69,000 jobs); Texas Medical Center (approximately 44,000 jobs); and Greenway Plaza (approximately 40,000 jobs). To put the size

of these activity centers into perspective, the Galleria/Post Oak area provides as many jobs as the central business districts of Pittsburgh and Atlanta. Approximately 24 percent of the workers in METRO's service area travel into one of the four major employment centers each day. As a result, streets and highways leading to these centers frequently experience severe traffic congestion.

Significant improvements have been made by METRO and the other regional transportation agencies over the past several years in addressing this congestion. Further aggressive transportation improvement efforts must continue, however, to truly address Houston's urban mobility problem. A comprehensive regional system must be put in place which is capable of integrating both private and public transportation modes.

B. METRO'S Phase I Program

The Metropolitan Transit Authority of Harris County was created in 1978 by a vote of the citizens of Houston and the surrounding area to develop a comprehensive mass transportation improvement program for the region. At the same time, the voters also approved a dedicated one-cent sales tax for mass transit which has provided nearly $1.4 billion to METRO for capital and operating costs through 1987. In 1988, this tax is expected to provide over $157 million in capital and operating funds.

In 1980, the METRO Board approved a plan for a comprehensive, integrated transit system involving bus service and an 18.5 mile, $2.1 billion heavy rail system. The system was designed to meet travel demands in the Southwest-Westpark corridor, which included many of the region's largest and fastest growing residential and employment centers. With the rejection of that plan by the voters in 1983, METRO was forced to reassess its priorities and to adopt a new, more comprehensive approach to transit planning. Through the 1983 election, Houston-area voters told METRO that they wanted more service, at a lower cost, available to a broader cross-section of the community. METRO heeded this

message and adopted a new plan more carefully tailored to immediate local needs and resources.

This new plan provided the framework for the construction of a system of dedicated public transitways in Houston's major travel corridors. These limited access guideways are reserved exclusively for METRO bus and van pool operations and, where usage permits, for private carpools. When complete, this 95-mile system will provide more miles of bus transitways in Houston than in all other cities in the United States combined. With the support of the Congress and UMTA, METRO has received $142 million from Section 3. On behalf of METRO and the citizens of Houston, I want to express our gratitude to this Subcommittee for its support of these efforts.

The two transitways that are in operation now, carry more than 40 percent of the peak direction rush hour commuters in their respective freeways. These commuters are moving twice as fast as the automobile drivers in the adjacent lanes. With 4,220 riders per peak hour, the North Freeway is providing the equivalent peak direction carrying capacity of 2.5 adjacent freeway lanes. On the Katy Freeway, 4,100 people per peak hour travel the transitway, also equalling the carrying capacity of 2.5 adjacent freeway lanes. According to a recent Texas Transportation Institute report, the Katy Freeway transitway carries 21 percent of the vehicles and 46 percent of the people on the freeway in the peak hour/peak direction. Three additional transitways are under design or construction. A sixth transitway in the U.S. 59 North (Eastex) corridor is also planned. These transitways and the buses and high occupancy vehicles which travel them will continue to be a major element of METRO's comprehensive urban mobility system. By the year 2000, METRO estimates that the average weekday travel on its transitway system will be approximately 27,550 vehicles and 123,000 people.

Houston has also completed a number of other capital projects over the past five years, including the opening of four new,

highly-efficient maintenance centers to service its bus fleet and the construction of 19 park and ride facilities providing over 20,000 parking places in areas served by the METRO transitway network. METRO has also shown substantial improvement in service quality with a 98 percent on-time service record and has significantly expanded service, building from 381 vehicles in 1978 to 1,021 clean, comfortable vehicles at the end of 1987. In 1981 the breakdown rate was less than 500 miles on average, METRO now operates with more than 11,000 miles between breakdowns -- the highest average in the United States. In fact, METRO was so improved by 1986 that it won the American Public Transit Association's Award as the best large transit system in the country. I believe that these dramatic changes have bolstered public confidence in METRO, resulting in increased ridership and support.

II. PHASE II OF METRO'S REGIONAL TRANSIT PLAN

A. Purpose

When the METRO Board adopted the regional transit plan concept, an overriding theme was to create a plan that was balanced and comprehensive. Phase I provided for the construction of transitways to move riders from outlying areas to employment centers and other destinations in the urban core. The purpose of Phase II is to complete the link between Houston's transitway system and the region's major employment areas and to improve service to currently under-served areas. Phase II accomplishes this by tying together the various components of the regional mobility plan to create a single integrated transportation system.

B. Background and Description

Once the METRO Board adopted the regional mobility concept, the METRO staff began examining and developing various proposals. During 1986 and 1987, the METRO Board and staff sought and received the advice and ideas of elected officials, community

leaders, transportation professionals and thousands of METRO area residents. After carefully considering the input from an extensive series of public hearings and meetings across the METRO service area, the Board formally adopted a plan on October 22, 1987.

The Phase II plan rests on a series of important underlying principles:

- a "pay-as-you-go" philosophy -- requiring no new taxes or new debt to support construction of the system;
- significant improvement in mobility for automobile drivers;
- implementation of a "System Connector" to tie the transitway system to Houston's major employment centers;
- improved transit services for east side and existing transit users;
- recovery of 40 to 50% of system operating costs from the farebox by 2000; and
- significant involvement of the private sector in the design and implementation of the plan.

These principles are reflected in the four components of the Phase II plan which are designed, in conjunction with the Phase I projects, to provide a comprehensive and fully integrated system of regional mobility. The four Phase II components are:

General Mobility Improvements. METRO will dedicate 25 percent of its sales tax receipts, approximately $560 million (1987 $), to continue its support of projects which will increase the roadway capacity throughout the region. Projects in this category will include connecting discontinuous streets, upgrading older streets to meet contemporary design standards, construction of high occupancy vehicle ramps from transitways into the freeways, and grade separations at locations now causing significant delay. No federal monies will be used by METRO for these projects. It seems likely, however, that 50 to 100 percent matching funds will be available from the Texas State Department of Highways and Public Transportation.

Buses and Support Facilities. The plan calls for spending approximately $320 million (1987 $) for bus replacement and construction of support facilities and bus passenger shelters. Over

the next thirteen years, METRO will purchase approximately 1,100 vehicles to gradually replace the existing fleet. The average METRO bus travels 500,000 to 700,000 miles over a 10 to 12 year period. METRO's goal is to continue to provide a dependable, well-functioning fleet of buses that provide a viable alternative to the automobile.

There are also plans to build two new maintenance and support facilities. By continuing to upgrade its maintenance program, METRO will assure the quality of its basic bus service. The use of modern equipment will also keep operating costs low. The addition of 1,500 new bus passenger shelters by 2000, will enhance the accessibility of the system by bringing the region-wide total to 2,100 shelters.

Transit Centers and Park & Ride Lots. METRO will add 13 new transit centers to the existing five. These centers will provide "hubs" where passengers from various locations can board vehicles for express trips or transfer to other destinations. Twelve new Park & Ride lots will be constructed throughout the area adding 10,000 new parking spaces to the existing 20,000 spaces in the 19 existing Park & Ride lots.

Rail Component. The final component of the plan consists of 20-miles of rail linking the six public transitways to the downtown and other major regional employment centers. The rail system will converge with the bus routes at the regional transit centers, offering an opportunity to transfer to or from METRO's six transitways or other bus lines serving a number of destinations.

C. Description of the Rail Project

1. Justification for Rail

During METRO's analysis of various alternatives for a Phase II program, a thorough evaluation was made of a number of alternatives including heavy rail, additional busway construction, and a low-capital program of transportation system improvements.

Although we have not yet made a decision on the specific technology for the System Connector, the evaluation identified a modern, state-of-the-art light rail system as the most appropriate for the rail portion of Phase II.

This decision is justified on several grounds:

- Cost-Effectiveness. Although the initial capital cost of a light rail system is higher than that of a bus system, this is offset by lower operating costs on a per rider basis, and a lower overall life cycle cost for the system.

- Capacity. A typical light rail train of three cars would have the carrying capacity of at least seven buses. This is especially important in Houston's major employment centers where street space is already limited. To add the number of buses necessary to accommodate anticipated ridership to these destinations by the year 2000 would only exacerbate existing congestion. Employment in Houston's four principal employment centers is expected to increase by about 70,000 (21 percent) jobs by the year 2000. A high capacity transit system will be essential to meet these demands.

- Speed. Since a modern rail line has faster, smoother acceleration and requires less time to load and unload passengers, a rail line could move through the downtown area of Houston in about three minutes as opposed to the 10 minutes required for buses. METRO's rail component will improve travel times, particularly to the non-downtown employment centers, averaging in a range of 13-32 percent by the year 2000.

- Service Quality. The light rail service will be quiet, clean and energy efficient. This, of course, is important in Houston's major employment centers where carbon monoxide levels already exceed national air quality standards. The general positive public perception of rail service will also help attract new riders to the system.

- Accessibility. A light rail system can service 25 stations maintaining an average speed of 27 mph. This speed of service will provide the ridership greater access to the numerous transfer points planned for the system. To provide the same service by bus would be much more costly and could not be done at a speed of more than 15 mph. Additionally, the high platforms that meet the floors of the rail cars make access easier for elderly and disabled persons.

2. Design of the Rail Component

The design of the rail component has two elements. The first element will be a "U" shaped configuration connecting the

Downtown, South Main, Greenway Plaza, and Post Oak/Galleria areas.

- Downtown/Midtown (3.2 miles). This line will begin as subway in the downtown area, continuing at street level in its own right-of-way passing through signalized intersections then returning to the subway. This 3.2 mile leg will serve 6 stations and will be operational by 1997.

- Inner Southwest (4.4 miles). This line will run below grade for 0.3 miles and then will be depressed at the level of the Southwest Freeway, rising to an elevated section. Five stations will be served by this leg which will be operational in 1998.

- Post Oak (4.7 miles). This line will be elevated over the Southeast Freeway returning to street level where it will continue until it is elevated over the Memorial Drive and Katy Freeway. There will be six stations and the line will be operational by 2000.

The second element will connect the Texas Medical Center, the Southeast Transit Center and the Astrodome to the Downtown/South Main line.

- Texas Medical Center (2.6 miles). This line will run primarily at street level serving four stations and coming into operation in 1997 along with the Downtown/Midtown line.

- Southeast (2.8 miles). This line will be at street level, serving two stations and will be operational in 1997.

- Astrodome (2.0 miles). This line is designed to be at-grade until it reaches the Astrodome where it will be elevated above the parking lot to the main gate. This line is included in the year 2000 projections.

In total, the rail component will comprise 20 miles of two-directional rail lines defined in six segments with 8.6 miles of the line operational by 1997. Maps describing the general alignment of the rail component and its relationship both to the transitway network and the four major employment centers are provided in Figures 1 and 2.

D. Projected Ridership

Ridership estimates have been developed for each segment of the rail component. The highest peak hour and daily line volumes are projected to occur between the Southwest Transit Center and the Central Business District. These volumes of 6,200 to 7,000

passengers per peak hour in peak direction are comparable to volumes achieved on heavy rail systems in Atlanta, Miami and Chicago. They are also comparable to light rail volumes experienced in Cleveland, San Francisco and Edmonton -- and substantially above volumes experienced in Portland, San Diego and Buffalo.

In order to avoid the problems experienced by other systems in relying on over-optimistic ridership projections, METRO has been deliberately conservative in its methodology. For example, METRO has assumed a population increase of 17 percent through the year 2000. This reflects an annual growth rate of 1.3 percent -- substantially below Houston's long term history. Overall system ridership (including both bus and rail components) is assumed to increase an average 3.5 percent annually through the year 2000. This is considerably more conservative than the 10 percent average annual gain between 1980 and 1986.

In order to test these forecasts, the METRO Board enlisted the assistance of a task force of independent consultants to evaluate the staff projections against the experience of the Miami and Atlanta systems. The findings of the task force were reported to the Board in March 1986 and were incorporated in subsequent ridership re-estimates. Based on these analyses and the deliberate use of conservative population and employment assumptions, we are confident that the forecast line volumes are realistic and that they fall well within the range of other rail systems operating in the United States and Canada.

E. Phase II Costs and Financing

1. Project Schedule

The Phase II plan assumes a 13-year schedule for completion of the 20-mile rail component. Following the completion of necessary engineering and environmental analyses, METRO expects to be in a position to begin actual construction by 1991. The first 8.6 mile segment from the downtown area to the Southeast Transit

Center is scheduled to open for service in 1997. The remaining segments will be opened sequentially, with the entire system set for completion by 2000. As part of the planning process, however, METRO is actively examining options for advancing this schedule to permit the system to begin operation before the currently scheduled dates.

2. Capital Costs

Total capital costs for the rail component are estimated at $1.040 billion in 1987 dollars. These estimates are based on a standard, two-directional light rail system with substantial grade separation and up to 1.5 miles of tunnel in the downtown area.

The cost estimates will continue to be refined by METRO in cooperation with UMTA staff over the course of preliminary engineering and final design. They will also be affected by the choice of technology for the project as well as other exogenous factors including inflation. An average annual inflation rate of 5 percent under METRO's current 13-year construction plan would yield an "as spent" project cost of approximately $1.4 billion. An expedited construction schedule would decrease this estimate.

3. Operating Costs

METRO estimates that the rail component will carry approximately 30 million annual boarding passengers in the year 2000 (25 percent of total anticipated system ridership). It will do this at an annual operating cost of $19 million (10 percent of system operating costs). To carry similar volumes of passengers with buses would require at least 150 additional buses and would increase operating costs by $11 million. This is primarily due to 1) the lower speeds of buses in high density areas of the central business district and other major employment centers and 2) the lower labor costs associated with a rail system. Projected operating costs are in line with those experienced by other U.S. light rail systems.

4. Financing the System

a. Capital Costs. Meeting the long range transportation needs of the Houston area will require a serious financial commitment by all levels of government as well as the private sector. As part of the planning process, METRO has explored a wide range of financing options, including substantial private participation in the construction and financing of the rail component. Of a total $2.6 billion in capital improvements included in METRO's Phase II plan, METRO will seek approximately 35 percent from federal sources. This plan will include expenditures for buses and support facilities, completion of the transitway system and other general mobility improvements in addition to the rail component.

For the rail project, METRO will cover a significant portion of capital costs through local, State and private funding sources. Substantial federal assistance, however, will also be required. For FY 1989, METRO is requesting an initial Section 3 commitment of $65 million for preliminary engineering and other front-end project costs. We also intend to pursue a full funding contract for the project with UMTA once all environmental and other applicable requirements have been met.

b. Operating Costs. METRO's financial plan also provides that all operating costs for both the rail and bus systems will be derived from non-federal sources. The adoption of a "pay-as-you-go" phil sophy will avoid the financial drain on future operating funds caused by debt service on construction bonds. Other rail systems have relied heavily on long term bonds to expedite construction. Some of these systems now face substantial annual debt costs -- in some cases as much or more than the annual cost of operating and maintaining the system. By adopting a "pay-as-you-go" philosophy, METRO has made a conscious decision to ensure that farebox revenues and the proceeds of its dedicated one-cent sales tax will be fully adequate to cover all future anticipated operating costs for the system.

To avoid over-optimism, we have based our financial projections on deliberately conservative assumptions, and have developed a plan for the 1988 to 2000 period which ensures year-by-year consistency between planned system and ridership growth and required operating and maintenance expenditures.

IV. CONCLUSION

The Surface Transportation and Uniform Relocation Assistance Act of 1987 established a series of criteria for federal support of new fixed guideway systems and extensions. These require that a proposed project be:

- based on the results of alternatives analysis and preliminary engineering;
- cost-effective; and
- supported by an acceptable degree of local financial commitment, including evidence of stable and dependable funding sources to construct, maintain and operate the system or extension.

METRO's Phase II rail component clearly meets these criteria.

First, the System Connector will serve as an integral component of a comprehensive regional public transportation system. The results of METRO's planning and alternatives analysis have demonstrated the need for a high-capacity transit link between Houston's six public transitways and the region's principal employment centers. The System Connector will be an integral element of a total urban mobility system.

Second, the System Connector project has been designed to meet a specific local need cost-effectively. Cost and ridership estimates are based on deliberately conservative forecasts. As a result, the cost-effectiveness calculations show the Phase II project to be well within UMTA project investment guidelines.

Third, Houston has consistently demonstrated a strong local financial commitment to mass transit improvements. Utilizing the proceeds of its dedicated one-cent local sales tax as well as other public and private revenue sources, METRO is prepared to match Section 3 funding of the proposed System Connector project

with a local contribution exceeding the required 25 percent minimum.

Fourth, there is a strong commitment to the Phase II plan from the community, the private sector, and the local governments. The community voted its approval of the overall Phase II plan by a 60 to 40 percent margin in January of this year. The private sector has demonstrated its commitment through its support of the referendum on the Phase II plan and its pledge to contribute a substantial share of the costs of the rail project.

Fifth, the System Connector project will not depend on federal funds to subsidize operating and maintenance costs. The proceeds of METRO's dedicated one-cent sales tax together with other local revenue sources will be fully adequate to meet operating costs for the entire bus and rail system.

Sixth, the project will stimulate hundreds of millions of dollars of new activity in the Houston economy including the creation of thousands of new construction and related jobs in the metropolitan area. A substantial amount of new construction, manufacturing and service work will go to companies in the local community, including minority-owned and other economically disadvantaged businesses.

In sum, Houston has demonstrated a commitment to providing a long-range solution to one of the areas most serious problems -- lack of urban mobility. The projects METRO has undertaken in Phase I of its regional mobility plan have been successful, and they are nearing completion. It is now time to enter Phase II of the plan and provide the link between local bus service, the transitway system, and the region's major employment centers. Although supported by a strong local financial commitment, some federal assistance will be needed as well. I urge this Subcommittee and the Congress to support Houston's efforts to build a model for a truly comprehensive urban mobility system.

Phase 2 System Connector

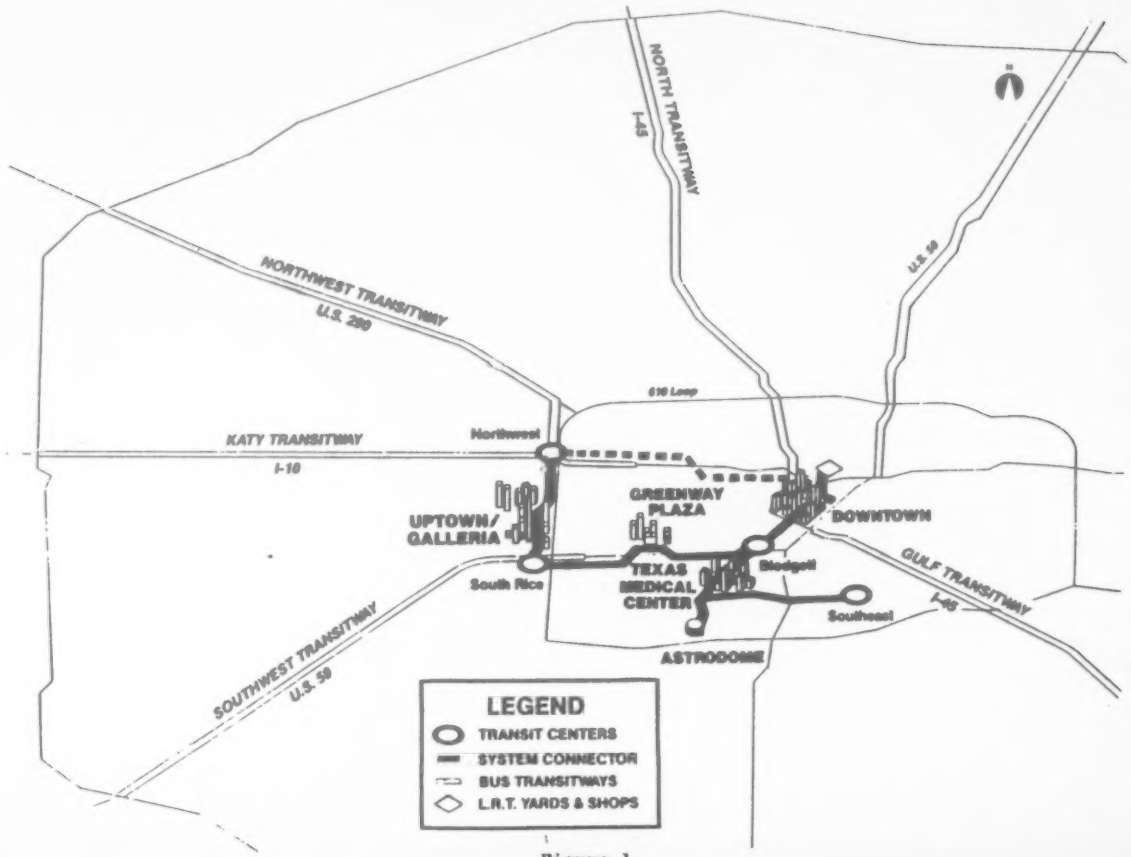


Figure 1

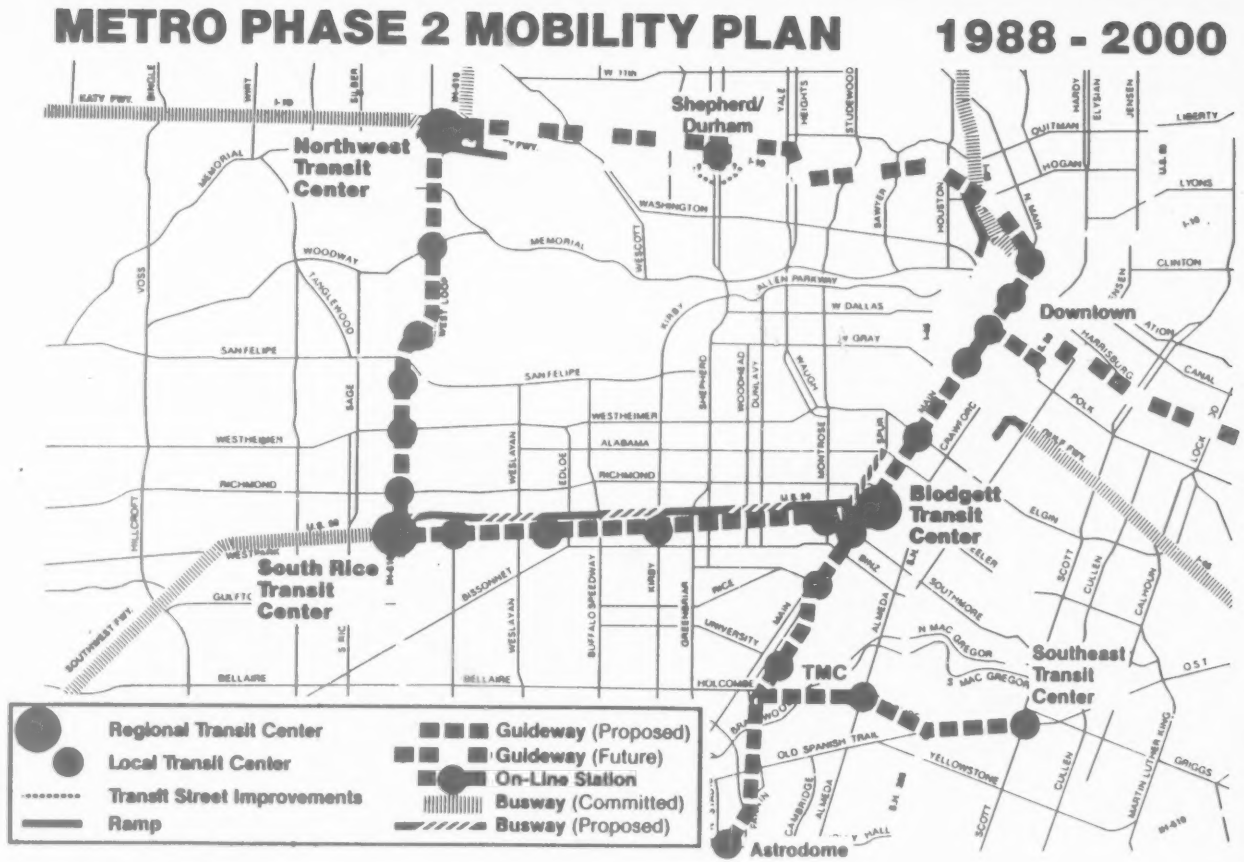

METRO PHASE 2 MOBILITY PLAN
1988 - 2000
Northwest Transit Center
Shepherd/ Durham
Downtown
Blodgett Transit Center
South Rice Transit Center
TMC
Southeast Transit Center
Astrodome
Regional Transit Center
Local Transit Center
Transit Street Improvements
Ramp
Guideway (Proposed)
Guideway (Future)
On-Line Station
Busway (Committed)
Busway (Proposed)

Figure 2

STATEMENT OF THE NATIONAL ASSOCIATION FOR TRANSPORTATION ALTERNATIVES

The National Association for Transportation Alternatives (NASTA) is an organization established by and for rural, small urban and specialized transportation providers. We have members in all but two of the fifty states and our roster includes more than a dozen statewide associations of transportation operators. While a majority percent of our members are Section 18 recipients serving rural areas, we also represent providers serving small urban areas and a substantial number of specialized providers -- agencies serving the transportation needs of specific groups, such as the elderly or the handicapped -- and many of these operate in large urban areas.

Administration Budget Proposal

We are grateful for this opportunity to share our views with the committee. Perhaps the best place to begin is with our reaction to the Administration's recommendations for Fiscal 1989 funding of the Urban Mass Transportation Administration (UMTA). This year's Administration proposal is much like last year's and our reaction is basically the same. We are grateful for their continued support of an increased share of funding to rural transit (the President's budget proposal earmarks 5.2 percent of formula assistance for nonurbanized areas), but we can not accept the cutbacks in total program levels that have been proposed. The proposal not only reflects a 52 percent cut in the over-all UMTA budget, but carries an additional hidden cut in the form of a drastic increase in the match requirement.

Transit has already taken a disproportionate share of budget cuts. Since FY'80, transit funding has gone down by 29 percent while the total budget was increasing by 64 percent. In other words, as a share of total federal spending, transit has been more than cut in half. Rural and small urban areas have traditionally received the smallest share of federal transit aid and have therefore suffered even more from this downward trend.

NASTA's "15 for 50" Proposal

Basic to our organization's recommendations for Fiscal 1989 transit funding is the issue of equity. Attached to our statement is a booklet we have pulled together to show in graphic form the inequities of present patterns. It documents that, despite the fact that rural and small urban areas account for almost half of the nation's people, they currently receive less than 10 percent of UMTA assistance. Stated in its most extreme form, residents of the nation's largest urbanized areas (those of 1 million or more) receive the equivalent of $31 per person in transit assistance, while residents of nonurbanized areas get a little over $1 per person. As a modest and achievable step away from that glaring disparity, NASTA proposes a five-point program to assure that 15 percent of transit assistance go to the 50 percent of the people who live in rural and small urban areas. It seems to us that this is not too much to ask.

Formula Funding for Rural and Small Urban Areas

The first of NASTA's five points calls for full funding of transit assistance at the $3.6 billion level Congress approved just two years ago, including $1.25 billion from the Mass Transit Account of the Highway Trust Fund. Our second point calls for an earmark of 15 percent of formula assistance for rural and small urban areas. At a $2 billion formula assistance level, this would mean ear-marking $300 million for Sec. 18 and the small urbanized areas, both of which are state-administered programs.

(If this increase from current levels were to be evenly divided between small urban and rural areas, the FY'89 levels would be $195 million for small UZAs and $105 million for nonurbanized areas.)

It is worth emphasizing that obligations under these two programs have been averaging more than $287 million annually in recent years, a level 10 percent above the appropriations provided. In the case of the Sec. 18 program, obligations during the period FY'84-FY'87 were $415 million, or nearly 50 percent above the appropriations level for the same period. The need for funding at the levels being proposed by NASTA has thus been clearly demonstrated.

We are also pleading for an end to the "roller coaster" ride that has been the experience of these programs in recent years. Unlike the providers in the major metropolitan areas, our members must operate on the basis of a support system that is fragmented and fragile. For the average rural transit provider, Sec. 18 furnishes only one-third of the total operating budget. UMTA funds must be 'mixed and matched' with social service contracts, volunteer programs and other in-kind contributions, and a variety of other support sources. The ripple effect from a change in any one of those sources is immediate and threatening. This is particularly true of Sec. 18, which is frequently the keystone piece in the funding arch.

Sec. 3 Discretionary Capital Assistance

The third of NASTA's five points has to do, appropriately enough, with the Sec. 3 program of discretionary capital assistance. Here again, the inequity of the present pattern is stark. Residents of rural and small urban areas are disproportionately dependent on the private automobile. As a result, they account for a disproportionate share of the motor fuel taxes that go into the Mass Transit Account of the Highway Trust Fund, from which Sec. 3 is financed. Despite this fact, no more than 5 percent of all funding out of the Mass Transit Account goes to rural and small urban areas and less than 2 percent of assistance from the discretionary capital assistance program. Benefits from this major UMTA program go to our constituency only in those few states which have been innovative enough to develop and secure approval for umbrella-type applications.

NASTA urges that Congress ear-mark 15 percent of this program to serve those rural and small urban areas. There is an increasing need for more adequate facilities among rural and small urban providers. The Sec. 18 program, after all, is ten years old and the providers it has assisted have been growing during that decade -- both in size and in complexity of operations. Moreover, the recently-inaugurated Rural Connector project of Greyhound Lines means an increasing demand for multi-modal facilities in places where the rural and small urban transit providers are linking up with the national intercity network.

Increased RTAP Funding

As our fourth point, NASTA urges that the Rural Transit Assistance Program (RTAP) not only be continued but that it be expanded. In establishing this program less than two years ago, Congress was responding to the evident imbalance in UMTAresearch, training and technical assistance activities. In its first year of operation, RTAP has demonstrated that it was needed and that it can be an invaluable investment in more effective responses to the special problems of rural and small urban transportation.

To cite experience under just one RTAP activity: In its first few months, the national RTAP Assistance Hotline has received over 400 calls for help from all forty-eight of the continental states. It is already averaging more than a hundred calls a month. In some cases, the benefits have been immediate and dramatic, as in the case of the rural resident in North Carolina who needed regular transportation for dialysis and for whom arrangements were made the same day; and that of the operator in Illinois whose two-van fleet was cut in half by a gas-tank fire and who needed and got immediate corrective action on the other van to continue operations. In all cases, there has been a linking of caller with information or other possible sources of help.

This kind of support needs to be expended as rapidly as possible. Rural and small urban transportation also needs increased research. The Transportation Research Board of the National Academy of Sciences has pointed out that transit research, and especially that of a problem-solving nature, has gotten decreasing support in recent years. In rural transportation, we don't even have the basic national database on operational aspects that the Section 15 reports provide for urbanized transit. The Rural Transit Assistance Program should be increased, especially in its national component, to fill that gap.

Increased Funding for Sec. 16(b)(2)

Last but by no means least, NASTA urges that capital assistance to elderly and handicapped transportation under Sec. 16(b)(2) be further increased -- to $50 million in FY'89. We recognize that this would require supplementing the $35 million authorized out of Mass Transit Account funds with money from the general funds.

Several years ago, when the program was being funded at the $25 million level, a survey of the states by the American Association of State Highway and Transportation Officials (AASHTO) found that there was a need for more than $40 million a year in Sec. 16(b)(2). Since that time, the elderly population has been increasing at a rate of 2.5 percent annually and the cost of vans, buses and other accessible equipment has been rising. Under the circumstances, a $50 million program level is fully justified.

Easter Seal Accessibility Project

In addition to urging expanded funding for Sec. 16(b)(2), our organization endorses continued funding of the demonstration project on transit and accessibility being implemented through the National Easter Seal Society. We know that this organization will be working with a broad range of both transit organizations and those representing the disabled in carrying out this very important project. Since many of our member organizations are agencies providing specialized transportation to the elderly and handicapped and since many others began operations as such agencies, NASTA is particularly aware of the value of a demonstration project such as this. We have already indicated to the Easter Seal Society our eagerness to be of any assistance we can. We support their request for follow-on funding sufficient to assure project completion.

Conclusion

Adequate individual mobility is a fundamental right of all Americans and is essential to the maintenance of a healthy, productive and independent life. In the past, federal transit assistance has been more conscious of this need with respect to the nation's big urban centers. But it is a reality in rural areas and small towns as well. NASTA's members respond to that reality every day. We know how important transit is to those who have no alternatives, because that is our ridership. What we are asking for is a renewed national commitment to meeting the basic mobility needs of the transportation disadvantaged, particularly the elderly, the disabled, and the residents of smaller cities and rural communities. We ask this committee to respond to that call and to those needs by endorsing a more equitable pattern of transit funding in America. Thank you.

EQUITY IN TRANSPORTATION

Preface

This fact book on federal transit assistance has been put together by NASTA, the National Association for Transportation Alternatives. It is intended to illustrate and document certain imbalances and inequities within existing federal transit programs enacted by the Congress and administered by the Urban Mass Transportation Administration (UMTA). Equity in Transportation will be expanded and reprinted from time to time.

Definitions

For the purposes of this report, the following definitions apply:

Rural Areas: Nonurbanized areas with 50,000 or less population.

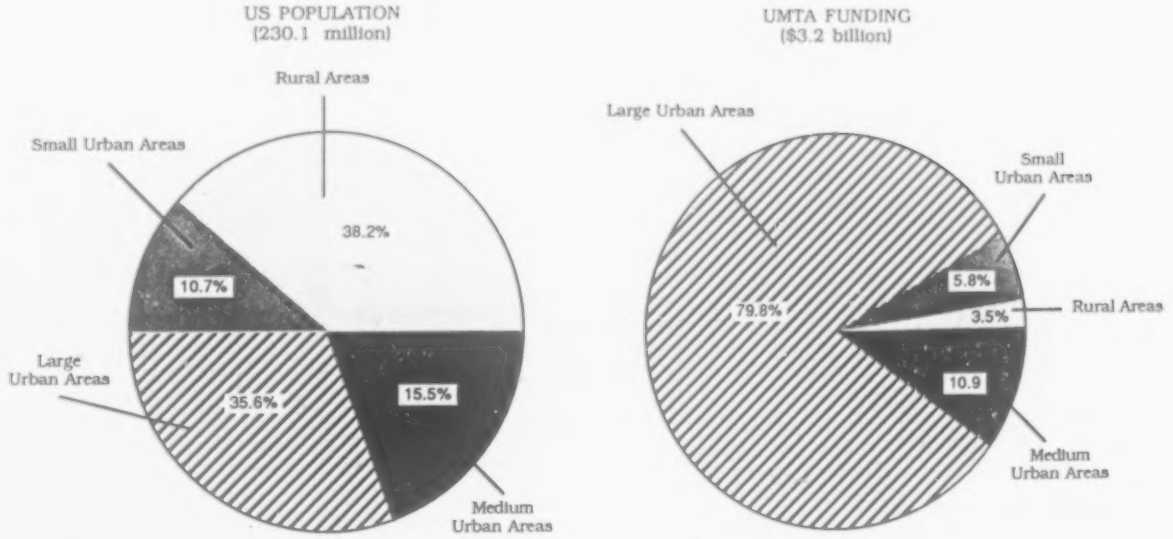
Small Urban Areas: Population between 50,000 and 200,000.

Medium Urban Areas: Population between 200,000 and 1 million.

Large Urban Areas: Population of 1 million or more.

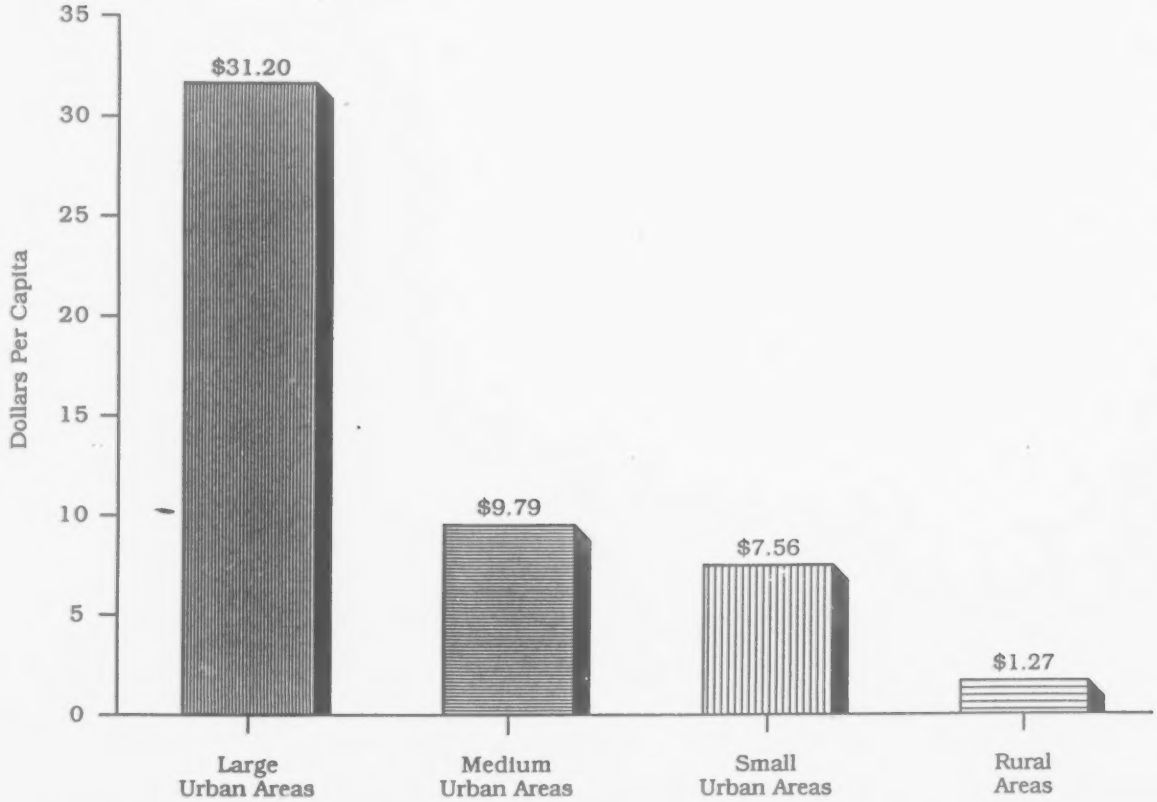
Mass Transit Funding

- Rural and small urban areas combined represent 49% of the population but receive less than 10% of UMTA Transit Assistance.
- Rural areas alone account for 38% of the population and receive 3.5% of the funds.
- The 30 largest cities account for 36% of the population but receive 80% of the funds.



Source: Population figures from 1980 Census of Population; UMTA funding figures from UMTA Statistical Summary, FY'87 (some figures partly estimated).

Per Capita Federal Transit Assistance



Source: Rural America calculations based on 1980 Census of Population and UMTA Statistical Summary, FY'87.

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U.S. Population

- 38% of Americans live in rural areas.
- Rural areas contain over 40% of the nation's elderly and 42% of the nation's disabled and poor people.

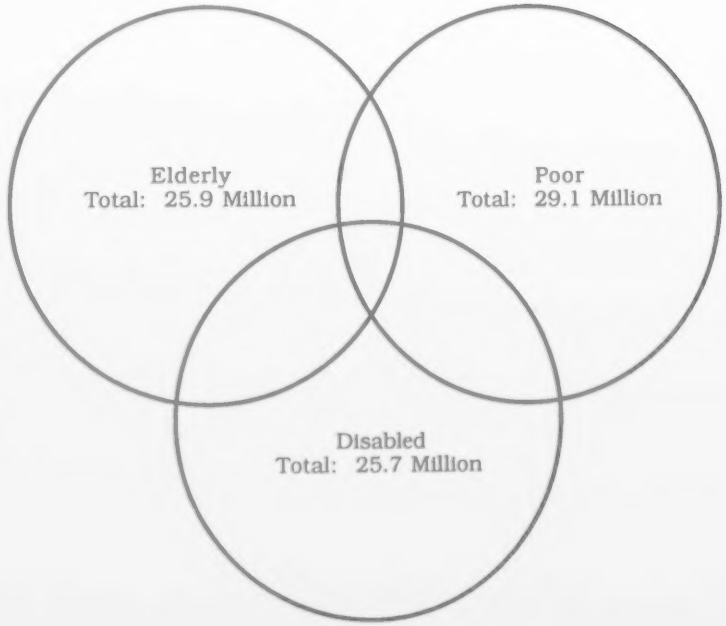
(Numbers in Millions)

COMMUNITIES	TOTAL POPULATION		ELDERLY POPULATION		DISABLED POPULATION		POVERTY POPULATION	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
URBAN AREAS	142.1	61.8%	15.5	59.8%	14.7	57.3%	17.0	58.2%
RURAL AREAS	88.0	38.2%	10.4	40.2%	11.0	42.7%	12.2	41.8%
ALL AREAS	230.1	100.0%	25.9	100.0%	25.7	100.0%	29.2	100.0%

Source: Rural America estimates based on 1980 Census of Population Reports.

TRANSPORTATION DISADVANTAGED POPULATION

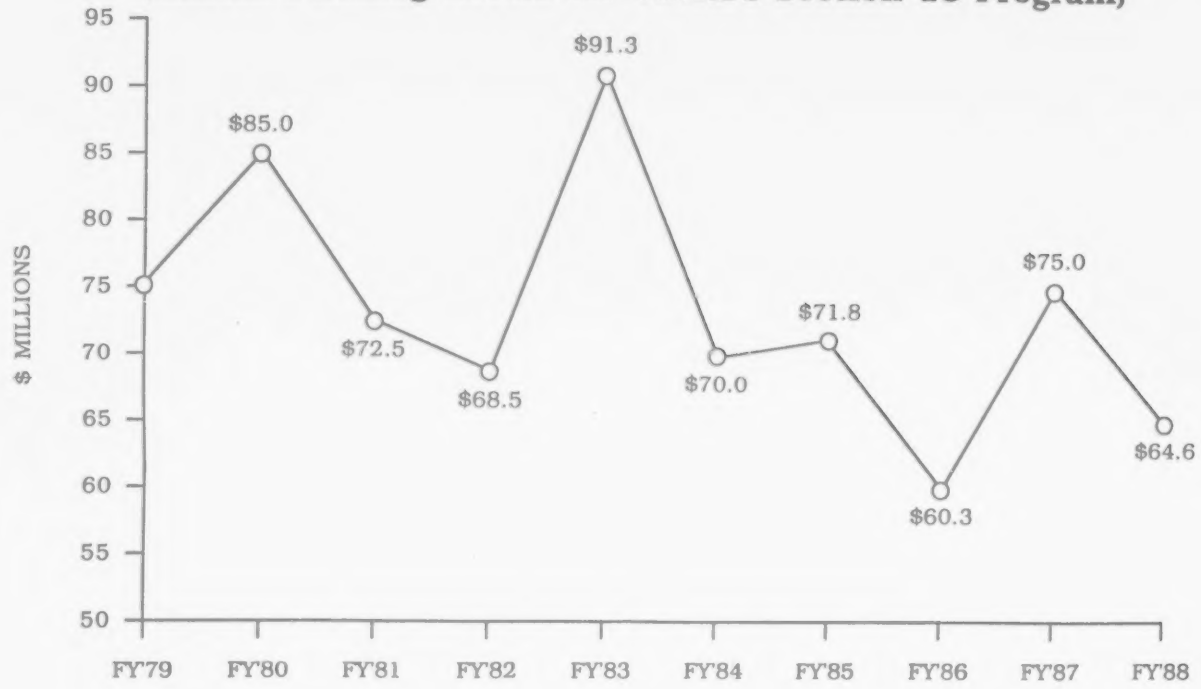
- 65 million Americans are Transporatation Disadvantaged (elderly, disabled, and poor people).
- 41% of the Transportation Disadvantaged live in rural areas.



Source: Rural America estimates based on 1980 Census of Population and Current Population Reports.

YEARLY APPROPRIATIONS FOR RURAL TRANSIT

(Annual Funding Levels for UMTA's Section 18 Program)

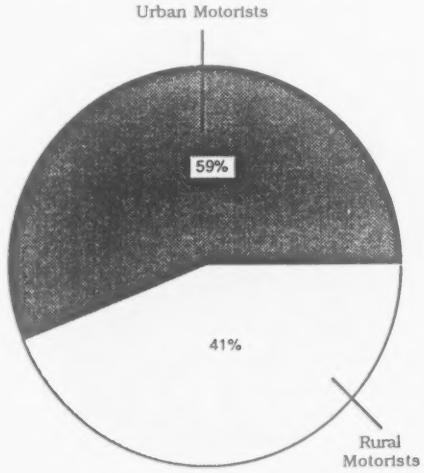


Source: Annual Federal Appropriations Acts

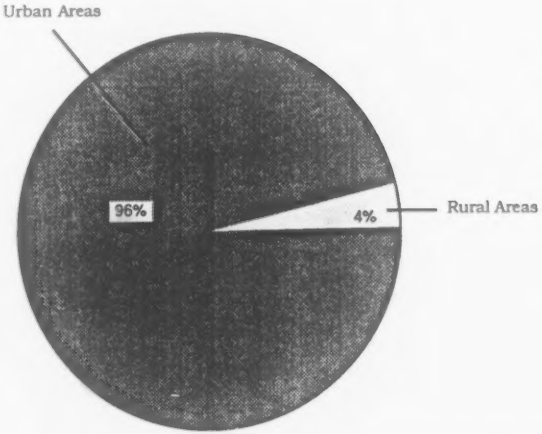
Federal Gasoline Taxes

- UMTA Mass Transit Account funds are derived from federal taxes on motor fuels.
- Rural motorists pay 41% of all federal gasoline taxes.
- Rural areas receive less than 4% of Mass Transit Account funds.

SOURCE OF
MASS TRANSIT ACCOUNT REVENUES



SPENDING FROM
MASS TRANSIT ACCOUNT



Source: Distribution of gas tax payments estimated by Rural America on basis of data in Statistical Abstract of the United States, 1986 and Nationwide Personal Travel Study, 1983; distribution of spending based on UMTA Statistical Summary, FY'87.

STATEMENT OF THE NATIONAL CONFERENCE OF STATE LEGISLATURES

The National Conference of State Legislatures offers the following comments on the administration's proposed FY 1989 budget and requests that these comments be made a part of the record of the hearing conducted by the Senate Appropriations Committee on May 15, 1988.

Mr. Chairman, NCSL urges you to reject the Administration's proposal to reduce funding for mass transit by 53% in FY 1989. The proposal, which would divert hundreds of millions of mass transportation dollars to Coast Guard and aviation programs, would have devastating effects on state and local transit authorities.

Federal mass transit funding has been cut some 46% in real dollars since 1980. Again this year, the administration is proposing that transit programs share disproportionately in deficit reduction efforts. Further funding reductions will place a huge burden on state and local governments to maintain financial support. The states are already fiscally strained because of cutbacks in other domestic programs, and most cities simply do not have the fiscal capacity to absorb this kind of responsibility. The result would be severe service reductions, increased fares, lost jobs and the indefinite postponement of many capital programs. At the same time, transit systems are being asked to increase their efforts in maintaining air quality, meeting the transportation needs of handicapped, elderly and low-income citizens, and ensuring that their operators are drug and alcohol free.

The Administration's proposal would have state and local governments shoulder the responsibility for commitments made by the federal government under the Surface Transportation Act of 1982 and reconfirmed in the Surface Transportation and Uniform Relocation Assistance Act of 1987. It would have the transit program funded entirely by the "transit penny". It would continue to retain the large balance in the highway trust fund for the purpose of masking the federal deficit, which is antithetical to Congress' intent for the fund. This undermines the concept of user-financed programs, and puts a strain on capitol planners in predicting what funding will be available. Uncertainty

of this sort can only result in inefficient and ineffective strategic development planning, which will ultimately mean more costly programs.

Large transit systems with ambitious long-range construction plans are particularly concerned about the loss of capital funding. Transit authorities in Atlanta, New Jersey, New York, Washington and Ohio, pursuing 5 to 15 year plans, anticipate serious delays in expansions, upgrading, rehabilitation and replacement. Estimates of delay range from two to four years to "beyond the point of usefulness". Fare increases of 20%-40% would be necessary to replace lost operating revenues. Many of these systems have recently imposed fare increases, and they are concerned that further increases would threaten ridership. Conversely, those same cities estimate ridership growth of 5%-30% over the next ten years if federal subsidies remain in place.

For mass transportation authorities in cities with less than 200,000 population, federal funding makes up a larger share of the budget than in larger communities. These systems would be the hardest hit by the current proposal. Several have on-going capital projects for which completion is already in jeopardy because of funding shortfalls. Such systems would be forced to downgrade services dramatically in the face of additional federal cuts. Mid day and specialized services would be the first to go, affecting senior citizens and service workers who utilize transit during off-peak hours. Transit authorities of medium size identify this population as the most loyal part of their ridership.

Smaller cities and rural areas with systems of eight or ten buses would be affected by reductions in Section 18 funding. Although it is thought that budget cuts would have the least effect on this group, some would have to nearly double fares in order to make up the difference.

Withholding funding at this stage of the game represents a serious breach of trust with respect to the intergovernmental partnership that has characterized the mass transit program for years. The state funding share for public

transportation has been increasing steadily since 1983. In FY 1987 state funding surpassed the amount contributed by the federal government, according to a 1987 survey by the American Association of State Highway and Transportation Officials. The survey also suggests that many states have reached the limits of their ability to absorb any further decline in federal aid. For states like Ohio and New Jersey, in which the local contribution is statutorily tied to the federal funding share, a reduction at the federal level would have enormous impact. In other states, where transit districts are not subject to the appropriations process, it will be even harder to raise funds. Transit districts in Georgia, Washington, Texas and California are limited to taxes they levy on their service area. Many of the districts are already experiencing taxpayer revolt and rollbacks, and would be hard put to raise additional funds through taxes.

It is undeniable that mass transportation is linked to economic growth, both directly, by employment, and indirectly, by the circulation of transit expenditures throughout the business community. Despite this fact, we have allowed our transit infrastructure to deteriorate to the level of "barely adequate", according to a February 1988 report by the National Council on Public Works Improvement. The dismal shape of the nation's infrastructure, due to erratic and inadequate maintenance, calls for a substantial increase in outlays for capital improvements. A recent study by the American Public Transit Association estimates public transit's capital needs to be $82.6 billion over the next ten years. Failure to invest in transit infrastructure in a timely manner could result in increased future maintenance costs and declines in productivity and economic growth.

The federal government has played a major role in shaping the evolution of transit through funding. Authorities have been influenced by statutory and regulatory requirements tied to UMTA grants, including the development of unprofitable routes in order to serve special needs. In effect, local transit systems have served as a vehicle for furthering federal policy goals. If the responsibility for funding mass transportation facilities is to shift from the federal to the state level, this can only occur within a comprehensive

reassessment of the intergovernmental fiscal system. This would include major policy, legislative, and structural reforms, and serious reconsideration of the federal government's role in formulating transit policy.

It is important to realize that mass transit is a critical part of the nation's transportation network, and that changes in the transit system are certain to have spillover effects into other aspects of the network. Urban airports, highways and public transit have all been designed to complement each other, and to pit one against the other in competition for federal funds is sure to invite degradation of the entire network. To diminish the importance of mass transit in a balanced transportation program, as the current budget proposal does, could have profound negative implications for the economic growth of the country.

NCSL looks forward to working with the Congress to explore alternative approaches that will keep the mass transit system in place and ensure the future viability of the nation's transportation network.

Statement of the National Easter Seal Society

Access to transportation is critically important to people with disabilities. Efforts to improve mass transit accessibility greatly enhance the ability of persons with disabilities to take advantage of opportunities in employment, education, recreation, and other areas of community life. This statement is intended to provide the Subcommittee with the National Easter Seal Society's perspectives on efforts to improve transit accessibility, particularly as they relate to appropriations in fiscal year 1989.

The National Easter Seal Society is a private, nonprofit agency dedicated to helping persons with disabilities reach their full potential. Easter Seals serves individuals of all ages, with all types of disabilities. Easter Seal societies provide a wide range of services, including medical and vocational rehabilitation, special education, recreation, and social services. Last year, more than one million people received Easter Seal services through a nation-wide network of two hundred affiliate societies.

As a national advocate for people with disabilities and a community-based service provider, Easter Seals is acutely aware of the important role that public transportation plays in the lives of many people with disabilities. Persons with disabilities rely on public transportation to a greater extent than does the general public.

According to the Department of Transportation, at least 7.4 million Americans living in urban areas are "transportation handicapped". Such handicaps range from having difficulty climbing stairs, reading signs, or understanding transit information, to experiencing accessibility problems associated with wheelchair use.

A 1986 Harris poll, entitled "Bringing Disabled Americans into the Mainstream", underscores the fact that access to transportation is a major problem for many people with disabili-

ties. A clear majority of individuals with disabilities stated that their disability prevents them from getting around, socializing, or going to cultural events as much as they would like. Forty-nine percent of the poll's respondents believe that their mobility is limited because they "are not able to use public transportation or because [they] can't get special transportation or someone to give [them] a ride when [they] need one."

It is for this reason that the National Society strongly endorses the National Council on the Handicapped's conclusion that accessible transportation is a critical component of a national policy promoting the self-reliance and self-sufficiency of people with disabilities. Without access to appropriate transportation , persons with disabilities are not able to participate fully in community life. Transportation barriers can prevent persons with disabilities from taking advantage of education and employment opportunities. According to the Harris poll, approximately three out of ten people say that the lack of accessible or affordable transportation is an important reason why they are not working.

The need for accessible public transportation for people with disabilities is growing. Over the past twenty years, public policies have promoted mainstreaming in education, deinstitutionalization in housing and health care, expanded employment opportunities in integrated settings, and greater access to a range of social and recreational activities for persons with disabilities. The success of these policies has meant that growing numbers of people with disabilities, including those with severe and multiple impairments, are seeking to live and work within the community. For many, the lack of appropriate accessible transportation represents one of the last obstacles to their meaningful integration and independence.

Efforts to significantly improve access to public transportation have had limited success. Despite legislation to expand transit access and to protect persons with disabilities from

discrimination on the basis of handicap in federally-assisted transportation programs, substantial barriers remain. A series of administrative actions and court rulings have also fallen short of resolving accessibility problems associated with public transportation.

Transit providers indicate that they seek to accommodate the special needs of people with disabilities as part of their attempt to provide satisfactory transportation services to the public. However, interaction between the disability and transit communities to date has been inadequate relative to resolving transit accessibility issues.

Recognizing that improved cooperation between public transit operators and persons with disabilities would greatly assist accessibility efforts, the Subcommittee approved a provision in its FY 1988 appropriations legislation that focuses on mass transit and persons with disabilities.

Specifically, the appropriations provision directs the Urban Mass Transportation Administration (UMTA) to fund a project to involve national and local organizations representing public transit operators, the transit industry, and persons with disabilities in the development and demonstration of workable approaches to promote access to public transportation services for people with disabilities. The project will yield a cooperative model program of techniques to identify people with disabilities in the community, to develop outreach and marketing strategies, to develop training programs for transit providers and persons, and to apply technology to eliminate barriers to transportation and accessibility. The National Society was designated to administer the project.

For the past several months, the National Society has worked closely with UMTA staff to prepare and refine the proposed project work plan, entitled "Innovations in Public Transportation for Persons with Disabilities". Final revisions to the work plan were made and it was submitted to UMTA on April 26, 1988. The

National Society is eager to initiate the project and is hopeful that the time and energy invested in perfecting the project proposal will expedite its approval by UMTA.

The FY 1988 appropriations bill provided $1,000,000 in first-year funding to initiate this project, which is expected to require about three years to carry out. The appropriations language describes the project as a major program development, demonstration and national information dissemination effort.

It has become clear, however, that the funds needed to complete the project should be made available in FY 1989 to insure that the project's intended breadth and impact are maintained. Despite Congressional support for a multi-year, six demonstration effort, UMTA indicated that it cannot agree to a work plan in which the projected costs of proposed activities exceed actual appropriations. Consequently, the proposed work plan submitted to UMTA does not reflect the full scope of effort envisioned by Congress, the disability community, and public transit providers. Instead, the National Society was required to prepare a scaled-back version of the original project with a contingency plan to expand project activities as future funding permits.

This strategy of partial programming based on partial funding undermines the comprehensive and interactive nature of the project. The project approved by Congress is intended to forge long-lasting linkages between the disability and transit communities. Equally important, it is intended to produce nationally useful techniques promoting transportation accessibility in key areas of public transit policy and service design. Such policies and services are interrelated. A piecemeal approach to this effort substantially detracts from the project's overall ability to best realize these important goals.

The National Society will carry out this project in a responsible manner, making efficient use of public funds and private resources to realize project goals. We firmly believe,

however, that sufficient funding must be committed to the project in order to attract qualified staff, establish appropriate demonstration sites, and engage in effective public education and materials preparation activities. These activities involve extended agreements and contracts that are difficult, if not impossible, to initiate when future funding is uncertain.

The National Society believes that this project is a good one. It takes a unique and practical approach to transportation problems that have long plagued people with disabilities and public transit providers. Project outcomes, to improve transit accessibility through increased cooperation, education, and the development of locally useful transit resources, are both significant and timely.

Additionally, the partnership between national transit and disability organizations that formed to promote and carry out this project is, in itself, a real accomplishment. It would be unfortunate to risk eroding the forward momentum of this partnership because of uncertainty over future funding.

For these reasons, the National Society recommends that the Subcommittee allocate $2 million of the FY 1989 appropriation for the UMTA research and demonstration grant program for the continuation this project. We firmly believe that the committment of these funds is absolutely necessary to create the stable environment that this project needs to accomplish its Congressional mandate.

I would also like to call the Subcommittee's attention to the recommendations of the Consortium for Citizens with Developmental Disabilities for transportation funding in FY 1989. The Consortium is comprised of 50 national consumer, service provider, and professional agencies which advocate on behalf of people with disabilities. The National Easter Seal Society is an active member of the Consortium.

The Consortium believes that access to transportation for individuals with disabilities is critical to their ability to

realize their full potential for independence and productivity. For this reason, the Consortium included recommendations concerning selected transportation programs in its recent response to the President's FY 1989 budget proposals. A brief summary of these recommendations follows.

The Consortium strongly opposes the Administration's proposal to reduce funding for the urban mass transportation grant program authorized under Section 9 of the Urban Mass Transportation Act. Under the President's plan, the loss of funding and anticipated transit provider difficulty in meeting the proposed higher matching requirements will generally mean higher fares and fewer transit services for mass transit riders. In that people with disabilities utilize public transportation at higher rates than the general public, the proposed spending reductions would have a disproportionately greater impact on such individuals. Efforts to improve mobility for persons with disabilities would be substantially undermined. A minimum of $1,841.6 million is recommended by the Consortium for the Section 9 urban mass transit grant program in FY 1989.

The Consortium recommends $75 million for the Section 18 non-urban transit assistance program and $5 million for the Rural Transit Assistance Progam (RTAP) in FY 1989. The Section 18 capital and operating assistance program is one of the only sources of support for public transportation services in non-urban and rural areas. Although the program is intended to assist transportation providers serving about 39 percent of the nation's population, it recieves less than three percent of federal mass transit resources. Similarly, the RTAP program effectively translates a relatively small amount of funding into useful technical assistance, research, and training efforts nationwide. The Consortium's FY 1989 funding recommendation will allow a basic level of access to non-urban transportation services. These services are critical to many Americans residing in small communities and rural areas, including people with dis-

abilities who are often limited in their choice of transportation alternatives.

Lastly, the Consortium recommends $38.5 millon for the Section 16(b)(2) program in FY 1989. This program has been highly successful in combining private sector resources with federal support to expand transportation services for individuals with disabilities and elderly persons. The Consortium opposes the $35 million funding cap imposed on this program. Although federal support for Section 16(b)(2) activities has been relatively static for the past several years, the cost of new buses and equipment has risen dramatically. Many vehicles and related equipment originally purchased with program funds are old and in need of replacement. Increased funding will support new purchases to establish and expand transportation services in areas where existing services are insufficient. Vehicles and equipment purchased under the Section 16(b)(2) program go a long way toward filling the gaps in public transportation where services are inaccessible, inadequate, or nonexistent and otherwise fail to meet the needs of people with disabilities.

The National Easter Seal Society respectfully requests that the Subcommittee consider and support these FY 1989 funding recommendations for transportation programs serving people with disabilities. The transportation barriers confronting these individuals are not insurmountable. However, persons with disabilities are unlikely to be able to participate fully in society until they have greater access to public transportation services. That access requires the continued support of Congress.

Thank you for considering our views.

Statement of the Committee on Passenger Transportation, Railway Progress Institute

Following is the position of the Committee on Passenger Transportation of the Railway Progress Institute pertaining to federal funding for the Urban Mass Transportation Administration and the National Railroad Passenger Corporation. RPI is the international trade association of suppliers to the nation's railroads and rail passenger systems. Our Committee on Passenger Transportation is comprised of representatives from more than 50 companies whose customers are Amtrak, people mover systems, commuter rail systems, and rail rapid transit systems. They also are suppliers to the freight railroads, of course, but it is on behalf of rail passenger systems that this Committee functions.

Urban Mass Transportation Administration

The United States Congress has consistently recognized the nation's need for a core level of Federal support for urban transit and intercity rail passenger services. Indeed, Congress has maintained a capital investment in urban mass transit and Amtrak over the past two decades.

We concur in this commitment. We urge that it be continued.

Specifically, we respectfully set forth the following points for the consideration of the Committee.

First, $2.3 billion was provided in Fiscal Year 1988 for UMTA. We believe this amount is barely sufficient to meet the Federal obligation to assist mass transit systems, and we urge that transit program funding for FY 1989 match the level authorized by the Surface Transportation and Uniform Relocation Assistance Act.

Second, we note that the Administration continues to look to the private sector -- now in conjunction with the public sector at state and local levels -- for an increased role in transit. We believe this initiative has great potential and certainly should be encouraged. However, this most recent proposal should not be

utilized as an excuse to drastically cut transit funding below the core level of Federal assistance.

We must report again this year that UMTA is slow in obligating grant funds. Of ongoing concern to us, because of the program's potential for being of great use to the transit operating systems, is the agency's apparent slowdown in supporting the Sec. 3(a)(1)(c) Technology Introduction Program. This program represents a partnership under which our private enterprise companies develop new technology and the operating systems are encouraged with Sec. 3(a)(1)(c) grants to field test these innovations. We understand there is a balance of approximately $8 million available in unobligated joint funding for this program and the Sec. 4(i) Innovative Techniques Program. It is unfortunate that the partnership developments are held up by the unwillingness of UMTA to commit funds, and we again urge Congress to direct the Administration to carry this and other grant programs forward in a more productive and timely fashion.

With regard to the transit account of the Highway Trust Fund, we feel strongly that revenues from the one-cent-per-gallon user charge on motor fuels that was dedicated to funding mass transit systems must be used for urban mass transit capital improvements and <u>not</u> to offset the budget deficit.

The Surface Transportation and Uniform Relocation Assistance Act of 1987 strengthened the Buy America provisions for transit procurements. This legislation provided an additional measure of assistance to domestic suppliers, who must compete against foreign suppliers operating from the base of a closed "home market" and a variety of export incentives. We strongly support Congress's welcome action on Buy America, and we urge Congress to require UMTA to ensure full compliance with this law.

<u>National Railroad Passenger Corporation</u>

We believe that the existing national rail passenger transportation system must be continued through funding at the level of

$630 million, as Amtrak has requested. We believe Amtrak's management is responsible and conscientious, and we support the repeated statement by Amtrak's President Graham Claytor, that the Administration's repeated proposals to eliminate Amtrak's funding send a negative message to both traveling public and employees.

On another note, we do have some concern over one request by Amtrak in its 1988 Legislative Report to the authorizing committees of the Congress. We will, nevertheless, continue our consistent and effective support for Amtrak funding; and we are confident of our ability to resolve these concerns with Amtrak directly.

In summary, we urge the Congress to continue a core level of support for rail passenger transportation. Thank you for your attention to our Committee's position.

LAFAYETTE PLACE NEIGHBORHOOD ASSOCIATIONS

STATEMENT OF ROBERT A. SILVERMAN, M.D., PRESIDENT

Hon. William Lehman, Chairman
House Appropriations Committee
Subcommittee on Transportation
2358 Russell House Office Bldg.
Washington, D. C. 20515

April 22, 1988

Dear Congressman Lehman:

This is a request that you vote against the granting of federal funds for a new rail start for METRO, the Metropolitan Transit Authority of Harris County Texas.

We feel their request is not legitimate and we wish to convince you of this by means of a chronological newspaper account of the situation in Houston.

The enclosures are: 1) a summary of the events described in the second enclosure and 2) photocopies of news stories with which we document our allegations.

Only you can help us prevent METRO from saddling us with the eternal expense of a white elephant we do not need and will not be able to correct in the future.

We feel that a few minutes more of your time plus our local information would be helpful as you deliberate something which is as important to you as it is to us in Houston.

Thank you sincerely,

Robert A. Silverman, M.D.

Robert A. Silverman, M. D.
President

Enclosure One: A Chronological Summary

Since METRO's inception in 1978 its Board has hoped for, planned for and connived for rail. In 1983 a bond referendum for rail was defeated two to one but this did not deter their hopes. In 1984 they came back with more rail plans. For the ensuing three years METRO campaigned for rail. In the autumn of 1987 the Mayor, speaking out for the first time, and the METRO Board (five of its nine members are mayorial appointees) agreed

that rail was "out" and an all bus and busway plan was about to be selected by the Board.

During this time span, 1984-1987, Houston members of the state legislature began voicing dissatisfaction with the METRO Board's handling of its 1¢ sales tax, with the waste of money, with its failure to act on its 1978 promises of general mobility projects such as road improvements, bridges, grade separations, etc., with its arrogance and its lack of accountability. They voiced the possibility of imposing a reduction of the METRO 1¢ sales tax and ultimately passed legislation calling for an annual state audit of METRO, inclusion of METRO in the list of agencies under surveillance by the Sunset Commission, and enabled the citizens of the METRO district to collect signatures on a petition to bring before the electorate the opportunity to reduce the 1¢ sales tax to 1/2¢ by ballot. METRO spent over $300,000 lobbying the legislature in an effort to block this legislation.

Also during this time METRO's Citizen Advisory Board (made up of representatives two from each of the METRO's twenty-four districts in conformity with the METRO Board's action of June 23, 1978) studied METRO's final mobility plan and officially rejected it chiefly because METRO failed to include sufficient alternatives, especially low capital, in the Alternatives Analyses required by the Urban Mass Transit Administration and because the rail component is inflexible, does not improve the service to the transit dependent, hurts the district in terms of both building and maintenance costs, and will ultimately decrease the fine bus service we presently have. The Citizen Advisory Board has amongst its membership a professor of economics (University of Houston), a practicing economist, engineers, a CPA and an attorney and has access to a transportation engineer for consultation.

When it became apparent that the METRO Board (following the no-rail decision by the Mayor) was about to pronounce a no-rail plan, a small group of realtors and land developers who previously were never publicly vocal pressured the Mayor and the METRO Board into a reversal of their latest decision and a new plan with rail was abruptly adopted in October 1987. This group and their allies threatened to support the movement to cut the METRO sales tax to 1/2¢ if the rail was not restored to the plan.

After the METRO Board proposed its own referendum on its latest plan it was the very faction which contributed nearly $600,000 to propagandize the election, an election scandalized by:

1. Promoting the plan as a street improvement "construction" and bus plan, downplaying the rail element.
2. Calling the referendum "non-binding" before the balloting thereby disinclining thousands from voting and then declaring it "binding" after the results of the referendum were known.
3. The absence of the word rail from the ballot.

On January 16, 1988 only nine percent of those eligible voted, five percent approved the plan and four percent disapproved. The morning after the referendum one local newspaper reported the METRO Board's proclamation of an "overwhelming victory" with a report ironically on the same page of the presidential election in Haiti where a ten percent voter turnout was characterized as a "sham" by the international news service.

In the second enclosure you will find a chronological newspaper account of these machinations and from this we hope you will question the legitimacy of the METRO request for funding of a new rail start in an area where mass transit accounts for only three to four percent of the total trips and

where that percentage is not projected to increase by the year 2000, the projected end of the plan.

[CLERK'S NOTE: The newspaper account referred to in Dr. Silverman's statement was not suitable for printing in the record but will be retained in the subcommittee files where it will be available for review.]

FEDERAL HIGHWAY ADMINISTRATION AND NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION FUNDING

AMERICAN PUBLIC HEALTH ASSOCIATION

STATEMENT OF WILLIAM H. MCBEATH, M.D., M.P.H., EXECUTIVE DIRECTOR

Summary of Request

The American Public Health Association, representing over 50,000 public health professionals and community health leaders, urges the Subcommittee to **provide funds for trauma research by appropriating $10 million** for this program in FY'89 DOT Appropriations bill. This funding would make possible the continuation of research, training, and programs to reduce highway injuries.

Through the years, APHA has expressed its commitment to injury prevention and control through a variety of public policy statements and program activities. In the past three years the Association has had the pleasure of working with Members of this Subcommittee to support appropriations for trauma research in order to begin to implement the recommendations of the National Research Council and the Institute of Medicine report "Injury in America." That report stated that the time had come to address the problem of injuries, and identified the Centers for Disease Control as the agency to lead this new national effort. The Subcommittee is to be commended for recognizing the seriousness of the injury problem in America, and for having provided the initial three years of funding to the Centers for Disease Control for this program.

Your Subcommittee deserves tremendous credit for supporting a program that promises to have a major impact on the problem

of trauma -- the leading cause of death in this country among people age 1 to 44. Because of your previous response, we now have five Injury Prevention Research Centers (IPRCs) and 26 major research projects aimed at reducing death and disability from injury. Because of you, medical researchers and public health workers have been stimulated and encouraged to direct their attention to a health problem that has been woefully ignored and underfunded.

The three year funding with which you initiated the program has had outstanding results. To give you some examples:

- The Wayne State IPRC is focusing its research on the biomechanics, prevention, treatment, and rehabilitation of head injury, especially from motor vehicle crashes, which are the leading cause of brain trauma and its lasting devastation.
- The University of North Carolina IPRC is implementing occupant protection programs through local health departments, working with surgeons and neurochemists to develop pharmaceutical interventions to reduce brain damage following head injury, linking data to motor vehicle crash and highway design data, and developing a program to identify injured crash victims with alcohol problems and channeling them into alcohol treatment programs.
- In Seattle, the Harborview Medical Center IPRC has embarked on research and prevention programs that include pedestrian and bicyclist injuries, risk factors for elderly drivers, and evaluation of measures to improve trauma outcome.

- In Boston, the New England IPRC is evaluating interventions to prevent drunk driving and examining the cost of crippling head and spinal cord injuries. New courses address public policy and emergency strategies related to injury control.
- At Johns Hopkins, the IPRC's activities include studying the role of medications in the crashes of elderly drivers, evaluating Maryland's seatbelt law, and identifying the costs of injury. Your funding has enabled us to expand our training program with new courses in rehabilitation, aviation safety, and legislative issues, plus a Summer Institute which will train health professionals from all over the country in the basic science of injury prevention.
- These efforts, while impressive, represent a small portions of IPRC activities. In addition, to the work of the Centers, research projects funded at other institutions include studies of emergency medical systems, the outcome of blunt trauma to the head, the epidemiology of traffic related injuries, and the evaluation of measures related to drunk driving, child occupant restraints, and truck safety issues.

Thus far I have emphasized traffic-related trauma, but the Centers and individual research projects also address the entire gamut of injuries, with attention to the biomechanics, epidemiology, prevention, acute care, and rehabilitation of trauma in the home and in occupational and recreational settings.

We are requesting an FY 89 appropriation of $20 million in the Department of Health and Human Services appropriation to transfer the base support for the IPRCs and the existing research program to the CDC budget and to build on this base by extending the research program, funding new Centers, and supporting injury prevention at the state level.

It is essential, however, to ensure the ongoing role of the Department of Transportation through a financial relationship that will foster growth of the program at the centers for Disease Control and make sure that motor-vehicle related research and prevention continue to receive priority.

Increased funding to prevent or reduce the effects of trauma is crucial. The cost of not preventing injuries is more than $75 billion annually; the human cost is unmeasurable. In our world of finite resources, we cannot afford to sustain, treat and pay compensation for human damage, when prevention is far cheaper and far more humane.

Thanks to this Committee, our progress to date has been almost miraculous. Please help it to continue.

STATEMENT OF THE AMERICAN TRUCKING ASSOCIATIONS, INC.

I. INTRODUCTION

Chairman Lautenberg and members of the Subcommittee, the trucking industry employs 7.4 million Americans, including 2.5 million truck drivers and generates annual revenues in excess of $215 billion. Each year 5.4 million trucks log more than 130 billion miles with an overall safety record that is almost twice as good as that for automobiles. These trucks are operated by more than 260,000 American firms, of which 37,000 are regulated carriers.

In 1987, the trucking industry, as a whole, earned over $215 billion in gross freight revenues, representing 77 percent of our nation's freight bill and over 5 percent of the Gross National Product.

Total trucking revenues accounted for by ICC-regulated motor carriers (Class I, II & III) were $61 billion. The composite operating ratio for ICC-regulated motor carriers was 96.7 percent with a corresponding profit margin of 1.5 percentage. All trucks paid a total of $17.8 billion in state and federal highway-use taxes; specifically, $10.9 billion in state and local payments and $6.9 billion in Federal Highway Trust Fund contributions. Large trucks paid approximately $4.5 billion of the $6.9 billion collected from trucks through federal highway-use taxes and $5.2 billion of the $10.9 billion state and local truck highway-use taxes (while accounting for only 3.5 percent of the total number of trucks registered).

The American trucking industry provides an essential transportation service to the largest economy in the world. In fact, access to trucking is considered by businesses to be the second most important factor in deciding where to locate a new plant, ranking behind cost of property. It is clear that practical business decisions are made with the confidence that truck transportation will be available when needed.

ATA sincerely appreciates this opportunity to comment on the Fiscal Year 1989 budget of the Interstate Commerce Commission (ICC) and those portions of the U.S. Department of Transportation (DOT) budget which pertain to motor carriers. This statement is divided into two sections. The first section discusses the ICC budget; the second addresses the DOT budget.

II. SUMMARY OF POSITION

ATA believes that any continued reduction in the Interstate Commerce Commission's budget will jeopardize the agency's ability to carry out its regulatory functions delegated by Congress in the Interstate Commerce Act as revised by the Motor Carrier Act of 1980. The functions of primary importance to the national transportation system are as follows:

1. The regulation of motor carrier rates to ensure that shippers obtain reasonable, nondiscriminatory prices and that motor carriers obtain a fair return on their investment;
2. The enforcement of the licensing requirements for motor carriers to ensure the financial fitness and ability of operators, and the safety fitness of motor carriers, including the monitoring and enforcement of the insurance requirements of the law to protect the interests of the public and owners of the cargo;
3. The collection and dissemination of motor carrier data to monitor the impact of regulatory and economic changes on the industry. This includes data reporting requirements for all Class I and Class II motor carriers, quarterly reports that provide meaningful interim data, as well as annual reports and the continued use of a Uniform System of Accounts;
4. The enforcement of household goods consumer protection regulations. National regional offices of the ICC play an essential role in responding to consumer complaints and in assuring carriers and agents comply with federal regulations. This vital service is necessary to protect the public and will be significantly damaged if the Commission's budget is drastically reduced; and

5. The enforcement of the licensing and insurance requirements for transportation brokers to ensure that only qualified people are allowed into the field and to ensure that carriers and shippers are protected against unscrupulous operators.

Since the Motor Carrier Act of 1980, the Commission's budget has decreased from $79.06 million to $44.2 million in fiscal year 1989. Moreover, the number of full-time permanent staff employees has been reduced from 2,000 in 1980 to 724 on April 1, 1988. Through these measures, Congress has reduced the Commission's funding and manpower to a level where it is unable to efficiently and effectively perform its responsibilities. The Commission is now at a critical point. Any further reductions will seriously jeopardize its ability to carry out its mandate of promoting vigorous, but safe, fair and lawful motor carrier competition.

Moreover, continued budget reductions will harm providers and consumers of transportation services who rely on the regulatory system for assistance and protection to produce a healthy, competitive trucking industry. ATA believes that the Congress can best achieve the efficient and effective transportation system it intended under the 1980 Act by appropriating $47.9 million for the fiscal year 1989 ICC budget, and by designating that the funds be used foremost to staff those ICC departments which perform the primary regulatory responsibilities.

ATA also generally supports DOT's budget. We specifically endorse Secretary Burnley's recommendation to this Subcommittee to make available $50 million for the DOT Motor Carrier Safety Assistance Program (MCSAP) for 1989. That program is vital to improving highway safety.

First, ATA supports the appropriation and expenditure for highway purposes of at least all of the revenue accruing to the Highway Trust Fund each year. Second, funds adequate to perform the needed research and development of the motor carrier industry should also be appropriated and spent. Third, ATA urges DOT to take a more active role in promoting improved productivity and access for the trucking industry. Fourth, ATA is also greatly concerned, as we know this Subcommittee is, about the inefficient handling of rulemaking proceedings. And finally, ATA strongly endorses the establishment of a

Motor Carrier Administration within DOT, as generally outlined in S. 747, to provide a more streamlined, effective and equitable administrative structure.

III. THE INTERSTATE COMMERCE COMMISSION'S BUDGET

In the Motor Carrier Act of 1980, Congress liberalized the requirements for obtaining motor carrier operating authority. Rate regulation was maintained, and varying pricing options were promoted. Increased public safety was sought through increasing the required motor carrier insurance levels and focusing on the fitness of applicants for motor carrier authority. The Congress and Commission relegation of the need of regulatory constraints on entry has increased for financial and operating data on motor carriers by the ICC and Congress to monitor the effects of the economy, as well as regulations on the industry.

ATA believes the ICC must continue to perform important motor carrier functions particularly in the areas of insurance monitoring, rate regulation, enforcement of safety, fitness requirements and data collection. It must have adequate funding and staff to perform effectively these statutory responsibilities.

ATA therefore requests that this subcommittee appropriate $44.2 million for the Commission's 1989 fiscal year budget of which approximately $21.5 million should be dedicated specifically for the administration of motor carrier programs. $21.5 million is based on 1988 useage and the allocation schedule printed in the President's FY '89 budget. ATA opposes any effort to Sunset the ICC or its regulation of motor carriage either through zero appropriations or an inadequate budget for fiscal year 1989. The issue of motor carrier regulation must be addressed on the merits, rather than through the budgeting process.

A. Data Collection on Motor Carriers

The Commission's Bureau of Accounts performs the essential function of collecting, evaluating, and disseminating motor carrier data. These data

permit the ICC to fulfill its obligation to submit to Congress an Annual Report on the state of the motor carrier industry. These data are useful to the public and the Commission in the preparation of timely studies on the industry condition and problems for example, the insurance crisis, fuel price and supply fluctuations, and forecasting industry needs to meet economic demand.

Before May 1, 1987, almost 3,000 carriers were required by the ICC to file these data. The ICC has issued a final order which if allowed to go into effect, would eliminate much of the necessary information, the resulting data would be nothing more than an overview of the motor carrier industry by an agency with no way to determine in a timely fashion the financial state of the industry or the effects of its actions upon trucking. Under the Commission's order the very largest motor carriers would continue to submit data. The resulting financial and operative picture of the trucking industry would be misleading and inaccurate.
Reliance on such data by the Congress, the commission and other federal agencies or private parties could result in many mistakes in judgement on issues of vital importance to the industry and the economy in general.

These data are necessary for other federal agencies to monitor the performance and structure of the trucking industry. For example, the DOT used ICC required data to produce reports on the effects of deregulation, the causes of motor carrier bankruptcies and its National Transportation Statistics Annual Report. The Department of Commerce similarly uses ICC required data for its Statistical Abstract of the United States, and its U.S. Industrial Outlook. In addition, the General Accounting Office (GAO) has repeatedly sought to use current and comprehensive ICC required data for investigations such as the studies on industry pricing practices, and the present transborder trucking problems. In fact, the GAO has emphasized the necessity of, and benefits from current financial and operating data on ICC regulated motor carriers. Recently the GAO has indicated in their reports to Congress, i.e., the ongoing Canadian/U.S. transborder study (presently 2 years overdue) have been incomplete or inconclusive because they lack the requisite, current data under current reporting requirements.

The present lack of complete and comprehensive data on motor carriers is due to prior Commission rulemakings in 1980 and 1982 which totally

eliminated data filing requirements for the very largest industry segment namely smaller-sized carriers with annual revenue under $1 million.

This decision has far-reaching implications, many of which will be felt substantially down the road. Fortunately, at the request of ATA, shippers, the insurance industry and others the ICC has delayed the effective date of its decision while it considers ATA's request for reconsideration.

If this decision becomes effective everyone will lose on a number of fronts: 1) over 1,100 Class II carriers will no longer file annually or quarterly;
2) almost 1,000 Class I carriers will file the most superficial quarterly data; 3) Class I contract carriers will no longer file quarterly or annually; 4) comparability of data is in danger of being lost; and 5) the ability to accurately monitor industry conditions will be virtually lost.

The reduction of the former 4 to 6 page quarterly report to one page results in the loss of all detail on components of operating expenses and reduces such a report to little or no value. These reports are important measures for tracking, on a timely basis, the economic condition and competitiveness of the industry. The carriers and their rate publishing conferences will find it extremely difficult to comply with ICC requirements (MC-82) in updating cost justifications associated with filing for general rate adjustments. This is especially true in the case of general adjustments, such as those associated with the April 1 annual labor increases under the National Master Freight Agreement. Furthermore, shipper interests will not have the benefit of such cost/revenue data to analyze in their evaluation of such general rate adjustments.

The elimination of this data will also cause problems for insurance companies and for carriers attempting to obtain insurance. The insurance industry has relied heavily on the ICC required data as an official cross check to data supplied them by individual carriers. This is already causing a serious problem among carriers not now reporting. The data also enabled insurance companies to monitor industry conditions and to perform important comparative analyses of the individual firms with their competitors and peer groups. The insurance industry is a strong supporter of the approved 10 page annual report as well as the proposed, but not yet approved three page quarterly report.

ATA's position in the proceeding is also supported by shippers, the insurance industry, bankers and other interested parties in the transportation community.

ATA also believes that to have a valuable data base the ICC must perform the requisite management functions and assure timely and complete filings. This embraces a number of tasks: First, the Commission must cease its present practice of granting individual motor carriers exemptions from reporting requirements. At present, more than 450 Class I and II carriers have been granted such exemptions. Thus, the financial information on over 15 percent of the Class I and II carriers (with annual revenues in excess of $1 million) is lacking. Second, the Commission should institute a regular follow-up with Class III motor carriers to determine which have grown to Class I or II carriers and should be filing reports with them. Some of the newly authorized carriers, which began as Class III status firms, have generated annual revenues well over the $1 million threshold. This non-measurement of the growth index and the lack of follow-up with smaller firms, stems directly from an earlier 1980 ICC decision to totally relieve Class III firms from annual filing. A third task is that the Commission should regularly follow up with all motor carriers to assure that reports are filed on a more timely basis and contain all required information to provide a complete and accurate financial and operating profile of the firm.

Mr. Chairman, I realize that you and members of this subcommittee have worked hard at ensuring the ICC does its statutory jobs. I hope you will critically examine the Commission's short sighted and predisposed judgement on this vital issue.

B. Rate Regulation

The ICC's administrative rate regulation function is performed by its Bureau of Tariffs and the Office of Proceedings.

The 1980 Act continues to require the ICC to oversee motor carrier rates, both individual carrier rates and those set collectively. Congress maintained, with certain limitations, the statutory provisions allowing motor carriers to engage in the collective making of rates, rules and commodity classifications pursuant to agreements approved and monitored by

the Commission. Congress also expressly guaranteed motor carriers the right to independently effectuate their rates and encouraged carriers to provide innovative rate and service options.

The combination of limited and monitored collective ratemaking, with greater pricing flexibility and freer entry, has been a pro-competitive factor for the motor carrier industry and shipping interests.

An important element of this transportation policy involves effective ICC overview of carrier rates. For example, for the ICC to determine the appropriateness of a general increase in carrier rate structures, it must have the resources including not only personnel but also substantial and reliable data, to evaluate carrier financial and operating conditions and the need for major rate adjustments. Similarly, the ICC required financial data must be available to all interests for analysis to ensure that rates are neither unreasonable nor destructive. This process protects the interests of shippers, consumers and carriers.

This system, which enables motor carriers to collectively discuss, determine and publish transportation rates and services is a pro-competitive feature of the new regulatory process which also enables the Commission to meet its statutory obligations. To effectively protect the public interest the Commission must have an adequate staff to evaluate and monitor all pricing actions of carriers. This important ICC function would be virtually negated by inadequate budgetary levels to the detriment of the public interest.

C. Insurance

The ICC has the statutory duty to monitor the acquisition and maintenance of Congressionally set financial responsibility requirements of motor carriers. These levels were set in Section 30 of the Motor Carrier Act of 1980 and range from $750,000 for non-hazardous material carriers to $5,000,000 for transporters of hazardous substances. New motor carriers cannot obtain their operating licenses until evidence of their financial responsibility has been filed with the Commission. Existing motor carriers must maintain evidence of current insurance or other financial responsibility with the ICC. The maintenance and monitoring of these files is an important but enormous task for the ICC staff.

The importance of maintaining up-to-date insurance filings cannot be overemphasized. Carriers with insurance that has lapsed are reminded of the requirement and administrative or judicial steps taken, if notice of new insurance is not promptly filed. At the same time, it is important that notices of new insurance be promptly and accurately filed so that the ability of a motor carrier, new or existing, to provide transportation services is not jeopardized by an administrative error. Due to staff shortages, the ICC's insurance group has been overwhlemed by the insurance crisis at a time when their knowledge, expertise and "institutional memory" is sorely needed. This Subcommittee must provide the funding and direction to the ICC to maintain this vital function.

While the ICC has made an effort in recent years to improve its performance relating to motor carrier insurance, it seems to have ignored the filling of performance bonds by transportation brokers requirement. Motor carriers often find out far too late that a broker's bond has been revoked and that no action was taken to remove this broker from illegal and predatory activities.

D. Fitness

ATA has a longstanding commitment to motor carrier safety. The Commission's Office of Compliance and Consumer Assistance performs the essential functions of ensuring the fitness, including safety fitness of motor carriers, compliance with the insurance requirements, and enforcement of other ICC regulations designed to protect the shippers and public interest. This responsibility has dramatically increased with the significant growth in the number of motor carrier operations and types of service. In fact, the Commission's current enforcement capability is stretched beyond its limit.

The Commission has the duty to ensure that prior to granting operating authority, the applicant is fit and able to perform the service. With inadequate ICC enforcement capability, some firms operate without certification and insurance to the detriment of the public interest and safety.

E. Enforcement of Household Goods Consumer Protection Rules

Although household goods carriers and their local agent moving companies have many things in common with the rest of the trucking industry, they have some unique operating characteristics that Congress recognized in 1980 when it enacted separate regulatory reform legislation for movers. Movers are unique in that they are the only segment of the trucking industry that deals primarily and directly with individual consumers. Individual shippers are vulnerable consumers because they are unfamiliar with the industry.

With the Household Goods Transportation Act of 1980 (HGTA), Congress found that the interest of individual shipper consumers can best be protected by reducing unnecessary regulation and allowing interstate movers maximum flexibility in serving the needs of shippers. It should be emphasized that the reason the freedom and flexibility has been so successful is that Congress wisely left in place an underlying Federal statutory framework that has served as a stabilizing consumer protection influence.

In the HGTA, Congress directed the ICC to eliminate unnecessary regulation, but at the same time Congress strengthened the remedies for violation of the regulatory structure that was to be left in place for essential consumer protection purposes.

The national, regional and local branches of the Office of Compliance and Consumer Protection (OCCA) oversee and enforce that remaining body of essential regulations. They play an important role in assuring not only that interstate movers comply with the current operational regulations, but that individual consumers are provided accurate and complete information on carrier performance and shipper rights and responsibilities. The budget and personnel cuts experienced by the ICC in recent years have made it increasingly difficult for OCCA to fulfill those regulatory duties.

In today's open marketplace where interstate authority for moving operations is relatively easy to obtain, there is a continuing need for a viable ICC consumer protection function. Most carriers comply with the ICC regulations, but there will always be those few who do not conform. If the ICC's OCCA enforcement budget allocation is further cut back, consumers

relying on federal protection will be exposed unnecessarily to the unlawful practices of the few movers who would take advantage of the reduced enforcement.

F. Summary

ATA concurs wholeheartedly with the following statements of ICC Commissioners Simmons and Lamboley submitted to the Subcommittee which reflect that further ICC budget reductions would be contrary to the private interest. They merit further emphasis:

Commissioner Simmons

> "I strongly disagree with the position taken by the majority of the Commission not to again present and support the 1989 Budget agreed to in an open voting conference. Instead, the majority assented, without benefit of an open conference, to OMB's unexplained reductions. I note that the Chairman insists that these OMB recommended reductions will not impair the Commission's ability to fulfill its responsibilities and cite as an example verbal communications between herself and Director of our Bureau of Traffic. However, I would point out that any such statements are inconsistent with representations made before the Commission by the Bureau and Office Directors in the public voting conference.
>
> It is no secret that the Chairman favors Sunsetting the ICC. Unable to persuade Congress to follow this short-sighted view, the Commission simply now does not fill most vacancies. When personnel are not replaced, yet the workload continues as before, it is obvious that the agency cannot fulfill the statutory functions designated to it by Congress. Without adequate manpower, the Commission will refuse to act on petitions and requests from various segments of the public to investigate matters within our jurisdiction or to offer guidance on transportation matters with the excuse that the agency lacks the resources. Indeed, this policy has already begun. For example, railroad abandonment proceedings are routinely conducted without benefit of oral hearings. Likewise, petitions to investigate alleged wrongdoings, and unlawful practices by various segments of the regulated surface transportation industry have gone unanswered with the convenient excuse that the Commission lacks the manpower."

Commissioner Lamboley

> "Last year I observed that the Commission had significantly and responsibly reduced its personnel and budgetary resources over the years, and had likewise sustained an accelerated attrition rate. I concluded that FY 1988's budget proposal may not be adequate.

> This year my concern is not abated. Reductions continue with the consequence of an "attrition based" increase in productivity. Personnel retention and recruitment remain problematical."

IV. THE DEPARTMENT OF TRANSPORTATION'S BUDGET

The DOT, in addition to its major task of handling the federal highway programs, has jurisdiction over certain motor carrier activities, particularly in the areas of safety, hazardous materials regulation, research, productivity needs and highway access. ATA recommends that DOT receive appropriate funding in four areas affecting motor carriers directly.

First, ATA believes that the funding for the DOT Motor Carrier Safety Assistance Program should be at $50 million for fiscal year 1988. This increased MCSAP funding is critical to the hiring and training of qualified enforcement personnel by the states to perform roadside and other necessary safety inspections of vehicles, drivers and loads to assure that they are in safe condition and that the public is not jeopardized by unsafe commercial vehicle operations.

Second, ATA urges this Subcommittee to advise the DOT to dedicate more funds to be spent on research and development to improve the safety and efficiency of motor carrier operations, and to improve compliance with regulations by permitting utilization by motor carriers of modern equipment and techniques to conform to regulatory requirements.

Third, ATA urges the Subcommittee to direct DOT to become more active in promoting improved productivity and highway access for the motor carrier industry.

Finally, ATA supports the creation of a Motor Carrier Administration within DOT. There is a tremendous need for such an Administration to deal with the numerous issues which arise from motor carrier operations and which must be dealt with by the Federal government and by Congress. A Motor Carrier Administration is needed to provide the industry with representation equal to that enjoyed by the other transportation modes. The increased annual cost resulting from a Motor Carrier Administration is only $2.4 million per year according to a GAO report. This is less that DOT spends in one hour for all of its other programs. ATA respectfully suggests this

Subcommittee earmark $2.4 million per year for a Motor Carrier Administration, provided that the authorizing legislation is enacted. ATA opposes, however, any transfer of ICC regulatory functions to DOT.

A. Safety

A safe motor carrier operation is good business practice. It provides for efficiency and productivity, reduces insurance claims and premiums, saves fuel and fosters a positive image of the trucking industry.

We also view truck safety as an important public safety issue. The automobile and the highway network in this country is essential to the American way of life. The public and the American economy depend on truck transportation to provide the goods, services, and materials that move America. The motoring public and the trucking industry must share the highway system and all highway users must work together to assure highway safety.

Trucks travel 458 billion miles each year servicing the American economy and the American public. The nature of truck operations, the interactions of trucks with the motoring public and the exposure of truck traffic to adverse weather conditions, varying traffic situations, and all types of highway design make safety an important industry issue.

Despite the variety of its operating conditions, the trucking industry has always had an outstanding safety record. There are thousands of professional truck drivers who have records of more than 1 million accident-free miles. There are numerous trucking companies with excellent safety programs and safety records.

Unfortunately, there are also drivers and companies with records that are not very good. We are especially concerned about safety on highways, and its possible deterioration. Since 1980:

- Truck accidents reported to the office of Motor Carriers increased 16.5% in 1984. In 1985, the accidents increased an additional 6.3%;

- o Trucks placed out of service by federal and state inspectors for serious defects increased from 23% in 1984 to 41% at a national truck inspection in September, 1985;
- o The percentage of motor carriers with unsatisfactory safety ratings is highest among those that have most recently received operating authority from the Interstate Commerce Commission, and the number of these new entrants is steadily increasing;
- o Unsatisfacto.y safety ratings are more prevalent among motor carriers with smaller profit margins; and,
- o There is generally a trend in the trucking industry toward reduced profits. Prior to 1978, the median profit margin was approximately 3%. From 1978 - 1985 the industry had not been able to achieve profits greater than 2.2%. Only through fuel price decreases was the industry able to achieve a greater profit margin in 1986.

There is a relationship between smaller motor carrier profit margins and unsafe motor carrier operations. These indicators portend the possibility of further increases in truck accidents in 1986 and future years, unless strong, positive actions are taken quickly by industry and government.

B. The Need to Increase Government Truck Research

On March 16 and 17, 1987 the ATA Foundation hosted a national research symposium in Washington, D.C. The symposium brought a wide variety of carriers together with trucking industry suppliers, competing modes, Administration officials and representatives of the academic community.

The purpose was to develop a national consensus on what trucking industry related research merited attention. It was anticipated that the research identified would be conducted by a variety of organizations, not just the trucking industry. Participants envisioned that parts of the agenda would be implemented by federal and state governments,

quasi-government organizations like the National Academy of Sciences, private corporations, associations like the AASHTO, the Highway Users Federation and the ATA Foundation and the academic community.

The two principal rules governing the eligibility of specific research projects for consideration at the symposium were very simple. First, the potential project had to be non-controversial. All divisive issues were set to the side for individual organizations to pursue on their own. Only issues upon which everyone agreed were included in the consensus agenda. Second, the participants sought to identify research projects in areas where there was no competent research underway. The charge was to expand and augment the vista of trucking-related research, not duplicate existing research initiatives.

The national symposium identified a variety of research projects in six broad areas: safety, data needs, tomorrow's freight, productivity, truck technology and taxation. Building on the results of the symposium, last December the industry convened a Commission on Research which narrowed the symposium agenda to five areas of research of greatest priority, including:

- Analysis of methods to improve the safety of motor carrier operations.
- Identification of good highway investments for the post-Interstate era.
- Assessment of the equity of the current structure of truck taxes.
- Evaluation of methods to increase efficiency of motor carrier operations.
- Examination of human resource needs.

The specific proposals which emerged from the Commission's meeting will be submitted to this Subcommittee for the record, under separate cover.

The industry intends to move with great vigor to implement the portions of this agenda which are logically ours to pursue. We believe that part of this agenda is the blueprint for research which the Department should pursue with the spending authority created by the actions of this Subcommittee.

We would propose two specific projects for inclusion in the Department's program of research: (1) development of a basic course of instruction for fleet safety supervisors covering federal safety programs and requirements, including new changes in motor carrier safety regulations and penalties, MCSAP, safety fitness determinations and compliance reviews,

and the new commercial drivers license requirements; the audience for this program of education would focus on the new carriers — groups least likely to be aware of new federal laws and regulations; and (2) development of a program of public information and education aimed at gaining greater acceptance by states of the National Governors Association recommendations for procedural uniformity in state motor carrier registration and taxation regulations. A more detailed explanation of these proposals will be submitted, and we strongly recommend the Subcommittee include these proposals in the Department's FY 89 program.

Much to our surprise, when we began to examine where current DOT research efforts are focused, we found that little of the existing truck-related research is focused on the issues industry and government now believe to be important.

Overall research expenditures in this country are virtually split between the federal government and commercial interests. Industry spends about $53 billion on research, while the federal government spends about $47 billion. The primary difference between government and commercial interests are in specific areas of research. Two-thirds of the federal research dollars are spent on defense while the rest is allocated to non-defense.

Of the one-third, the total spending versus research spending by mode in 1985 are as follows:

	Expenditures ($ billions)	Research ($ millions)	Research Revenues
Truck Operations	200	2	-
Highway Construction & Maintenance	50	100	0.2%
Railroad	30	26	0.1%
Water	18	36	0.2%
Transit	17	20	0.1%
Air	14	282	2.0%
	$329	$466	

Clearly, truck operations outdistance every other mode with approximately $200 billion in annual expenditures. This should be compared to the shockingly low level of research expenditures: <u>almost zero</u>.

Even though 84% passenger miles are by highway (10% by air) and highway fatalities equal 98% of the total, (with air 2%) some 74% of the research spending is committed to air while 26% remains for overall highway (which includes bus and automobiles).

We believe that the broad consensus for further research efforts gives us a firm foundation on which to seek equity in the distribution of federal research funds. We are only asking that some of the user fees that have been paid by trucking companies be used to make the future safer for all highway users. We hope that we can count on the support of the Subcommittee in this effort.

C. Productivity and Access

The Surface Transportation Assistance Act of 1982 promised improved productivity in exchange for substantially increased taxes. Productivity improvements took the form of 80,000 pounds nationwide, twin 28-foot trailers along with 48'/102" trailers on all interstates plus a designated highway system with adequate access, and grandfathered trailer limits. Unfortunately, while we have 80,000 pounds nationwide, five years later we are still waiting for the designated system and access promised remains highly inadequate in many states.

The DOT has taken the position that it can not force the states to expand the designated system or increase access. We disagree. DOT should take a more aggressive stance in insuring we get access. For example, the clear definition of a "terminal" does not exist. In addition DOT has yet to file one law suit against a state or locality although it recognizes that some states have sharply limited access or have been ingenious in denying adequate access.

Regarding the definition of "terminal", the message must be conveyed that the productivity gains intended by the Surface Transportation Assistance Act of 1982 cannot be realized by truckload carriers if state and local governments continue to be allowed to limit access to and from points of origin and destination for truckload shipments vis-a-vis operations over the Interstate and Defense Highway System and other qualifying Federal-Aid Primary System Highways. Limiting the definition of "terminal" to facilities actually maintained by carriers themselves is of no use to truckload carriers whose operations do not rely on such terminals for freight transfer and consolidation, break bulk and distribution.

Although DOT is aware that some states have sharply limited access and have not lived up to the intent of Congress, it has not exercised its power by filing even one law suit against a state or locality.

The trucking industry is merely asking DOT to enforce the law. ATA is asking DOT to give us what was promised in payment for higher taxes. We have been waiting more than 6 years while paying the taxes. How much longer should we wait? While DOT has started an advance notice of proposed rulemaking in docket no. 87-1 on highway access, it probably will be years before any administrative rules are issued.

D. The Need for a Motor Carrier Administration

ATA would also emphasize the need to establish a Motor Carrier Administration within the DOT. ATA continues its strong support of S. 747, which would create such a Motor Carrier Administration. We oppose any transfer of ICC regulatory functions to DOT. The cost of this Administration, as mentioned earlier is only $2.4 million per year. The creation of this DOT Administration would serve several important functions, including the following:

The centralization of DOT's motor carrier activities, largely in the area of safety, will save the government money and also promote efficiency. Currently, the safety programs are dispersed throughout the DOT. The office of Motor Carriers is in the Federal Highway Administration, and the Heavy Truck Research Group is a part of the National Highway Traffic Safety Administration. The suggested consolidation of these programs will provide a coherent, streamlined structure to save the government money and enhance regulatory efficiency. The MCA would also assure a more timely response to the attached outstanding dockets.

Mr. Chairman, the trucking industry is the only mode without a modalf administration. Yet, trucking hauls more freight, travels more miles, employs more people, and pays more taxes than any other mode. Equity demands that our industry receive equal representation through the establishment of a Motor Carrier Administration.

CONCLUSION

ATA has consistently urged Congress to provide the ICC with adequate appropriations to enable it to fulfill its mandated responsibilities in an efficient, reasonable and expeditious manner. The Commission's primary functions involve the regulation of rates, data collection and reporting, the monitoring of carrier fitness, and the enforcement of regulations intended to protect motor carriers and the public from unsafe, unlawful and unfair practices.

ATA urges this Subcommittee and Congress to appropriate the full $44.2 million to the ICC for Fiscal Year 1989. These funds are essential to ensure the agency has an adequate staff and resources to carry out these essential functions. We also urge this Subcommittee to direct the ICC to fulfill its statutory responsibilities.

Finally, it endorses the creation of a Motor Carrier Administration within DOT and substantial increases in funding for truck related research within the DOT budget.

Thank you Chairman Lautenberg, and other members of this Subcommittee for your time and consideration of ATA's position on the ICC and DOT FY 1989 budgets. I would be pleased to answer any questions.

STATEMENT OF THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

The Associated General Contractors of America (AGC) represents more than 32,500 firms, including 8,000 of America's leading general contracting construction firms. These contractors perform more than 80 percent of America's contract construction of commercial buildings, highways, industrial, and municipal-utility facilities, and employ more than 3,400,000 individuals.

Trends in Highway Spending

Of foremost concern to AGC is the unfortunate downward trend in funding for the Federal-aid Highway Program. In 1982, under Secretary of Transportation Drew Lewis, and through bipartisan support in the Congress, a much-needed 5 cent increase in the federal gas tax was enacted. The increased funding was to be used to address the deteriorating state of the nation's highways and bridges on the Federal-aid highway system and to provide a dedicated source of funding for mass transit capital improvements.

In the years immediately following the enactment of the gas tax increase the highway program was beginning to turn around, -- real construction and rehabilitation needs were beginning to be addressed. Now, however, just 5 years after that landmark legislation, the recent ominous trend in reduced spending for the highway program threatens to reverse any progress we may have gained from 1983 to 1985.

Federal spending for highways in fiscal year 1988 is $1 billion less than authorized in the 1987 surface transportation bill. And if enacted, the President's 1989 budget request would further decrease highway spending from 1988 levels by another $500 million. While AGC fully recognizes the difficult nature of responsibly budgeting scarce federal funds, we respectfully submit that recently published Function 400 projections from the House and Senate Budget Committees, will not allow the Federal-aid highway program to meet the growing transportation needs of this country. Even though the Congressional recommendations exceed the Administration's request by $400 million, simply freezing the program at its 1988 funding level will not begin to address the growing backlog of much-needed projects on the federal-aid system.

It is certainly worth pointing out that in real terms, adjusting for inflation, the highway program funding level is approaching about the same level that the trust fund could have supported back in 1982, before the gas tax was increased by 5 cents. Highway users and the construction industry are now asking -- What happened to the nickel?

Trends in Airport Spending

AGC also believes strongly that cuts in the recently authorized funding level for the Airport Improvement Program (AIP), come at a time when the capacity problem facing the airport system is reaching near-crisis proportions. It is difficult to reconcile the facts that while air travel, and accompanying airport use are growing at a frantic pace, funding for those same airports is being severely cut. It is with this in mind that AGC questions the Administration's commitment to the AIP. The President's request for a $1.2 billion obligation ceiling is a full $500 million less than the recently authorized program of $1.7 billion. This level of funding will not provide sufficient support for the industry-wide efforts to relieve the capacity crisis.

AGC is concerned about the House Budget Committee's recommendation to continue to underfund the 1989 Airport Improvement Program at its 1988 level of $1.27 billion. AGC believes, however, that the Senate Budget Committee has fully realized the immediacy of the capacity crisis facing this nation's airports, as evidenced by their call for an additional $3 billion per year, over and above the Administration's request for $1.2 billion. The Senate's recommendation of a $4.2 billion funding level for the AIP sends a strong message that the airport system is dangerously congested, and only through the maintenance and expansion of that system can it be made more safe and efficient.

Trends in Mass Transit Capital Spending

Of additional concern to AGC is the marked decrease in funding for the mass transit program. The President's budget request, if enacted, would reduce mass transit program budget authority by funding the entire program exclusively from the 1 cent gasoline tax dedicated to the Mass Transit Account of the Highway Trust Fund. Essentially, this would reduce UMTA's budget authority from a 1988 level of $3.28 billion to $1.51 billion in 1989. The reduction in UMTA's federally funded portion, from $2.08 billion in FY 1988 to $.128 billion in FY 89, accounts for the bulk of the budget reduction. This proposal would undoubtedly reduce necessary capital investment in mass transit systems across the country. With the proposed abolishment of the Section 3 program, a major source of capital funding for major new transit systems would be eliminated.

AGC supports the House and Senate Budget Committees' recommendation to fund UMTA capital grants at their 1988 program levels.

Status of the Highway Trust Fund

The Associated General Contractors is concerned about the Federal budget deficit and its impact on the future of America. AGC believes, however, that the Administration's continued efforts to mask the actual size of the deficit by limiting expendures from transportation trust funds, is a policy totally without merit.

The President's budget document reveals that the Highway Trust Fund balance will increase $3.0 billion from 1987 to 1989 under current spending levels and those proposed in the budget for FY 1989. AGC has been advised by the Federal Highway Administration that the Highway Trust Fund can currently support a program level of over $16.7 billion. However, we are only spending $12.5 billion; a shortfall of over $4 billion. The nation can little afford to bank-roll trust fund revenues and forego much-needed capital investment, when the documented needs of the federal-aid highway system currently exceed $20 billion annually.

Again, highway users and the construction industry are asking -- What happened to the nickel?

It is not surprising that the National Council on Public Works Improvement, in its final report, has rated the condition of our highways and bridges at a mere C+.

Removal of the Highway Trust Fund from the Unified Budget

AGC firmly believes that in order to maintain the relationship between the users of this nation's highway system, and the "user-fees" that they pay to support the highway program,

the Highway Trust Fund should be removed from the unified budget and exempt from the Gramm-Rudman-Hollings law.

Trust fund receipts can be used for no other purpose than transportation improvements. Moreover, the Highway Trust Fund has a deficit-proof mechanism, the Byrd Amendment, which assures solvency. Budget constraints and low obligation ceilings have permitted the balances in the trust fund to be used to mask a larger general fund deficit. In reality, the balances are being "loaned" to other general fund programs, all in direct conflict with the spirit of the "user fee" concept.

Economic Effects of Transportation Capital Investment

AGC believes that this nation is seriously underinvesting in its surface transportation infrastructure, at a great cost to the nation in lost productivity, jobs, and international competitiveness. The nation's transportation system is the arterial system by which the country's economic development is nurtured and supported. If the people of this country, both public officials and private citizens alike, continue to ignore the construction and rehabilitation of this nation's highway and other surface transportation systems, we will pay many times over in lost economic opportunity now and in the future.

A few relevant statistics will help to illustrate this fact:

Construction employment is significantly affected by changes in federal investment in highways. The Department of Commerce estimates that for every $1 billion of construction spending, as many as 65,000 jobs are supported in construction and related industries throughout the country. With a program level of $12.5 billion, over 800,000 jobs are currently supported by the Federal-aid highway program. If the program were funded at the level the trust fund could support, 260,000 additional jobs would be supported throughout the economy. It should be noted that although unemployment overall is currently under 6%, construction industry unemployment is above 12%.

The Department of Commerce also estimates that for every $1 of construction investment, $2.23 in additional economic activity is created. With respect to the Federal-aid highway program, this means that the current $12.5 billion program generates an additional $27.5 billion in economic output. Compared with other types of investment, construction produces one of the highest returns in additional economic activity.

It is clear that transportation is at the foundation of the nation's economy. Any corporation planning to build a new facility looks to adequate transportation as a major factor in site location. Moreover, landside transportation costs are an integral aspect of our country's international competitiveness. The price of agricultural products, which are our largest export, is heavily dependent on transportation costs. Adequate and efficient rural highway transportation is essential to maintain our competitive advantage in agricultural exports.

A major recommendation contained in the final report of the National Council on Public Works Improvement is a call for a national commitment, shared by all levels of government and the private sector, to increase capital spending for infrastructure by as much as 100 percent above current levels. In as much as transportation is a major component of the nation's infrastructure, AGC believes that the council's findings lend strong support to our advocacy of increased funding for the nation's transportation programs. Certainly, the United States of America deserves a national highway system that rates better than C+.

In closing, AGC believes increased investment in our transportation infrastructure is critical to the continuing strength of this country's economy. AGC urges the Appropriations Committee to set as a high priority, a continued commitment to capital investment in the nation's transportation system. AGC respectfully suggests that the Administration's highway, airport improvement, and transit budget proposals lack such a commitment and should therefore be rejected.

ASSOCIATION OF PROFESSIONAL SLEEP SOCIETIES

STATEMENT OF DAVID F. DINGES, PH.D., CODIRECTOR

Mr. Chairman and members of the Subcommittee on Transportation, I am very pleased to appear before you today to discuss sleep and fatigue related transportation mishaps.

I am here on behalf of the Association of Professional Sleep Societies which is comprised of the Sleep Research Society, the Clinical Sleep Society, the American Sleep Disorders Association, and the Association of Polysomnographic Technicians. Today, over 2,000 of my colleagues are clinically practicing, or conducting research on sleep, fatigue related catastrophes, or sleep disorders. Now more than ever before, the quality of sleep and its relationship to our waking life is being considered as a significant factor in health and safety.

The importance of fatigue and sleep related accidents and catastrophes has become a national issue. When optimum human performance is required in an industry, such as over-the-road trucking and aviation, the factors that affect human performance must be given careful consideration.

On any given day in this country, literally millions of people are attempting to operate a motor vehicle, while impaired as a result of fatigue or a sleep related condition. Some are involuntarily sleepy because of an undiagnosed sleep disorder, such as narcolepsy or sleep apnea -- it is estimated that 20 million Americans suffer from these conditions. We calculate that 20,000 to 30,000 patients seek treatment each year for symptoms that place them at risk for falling asleep at times when they should be alert. Many others experience the lethargy and fatigue associated with disturbed sleep/wake cycles, of the kind that can be produced by shiftwork or night-time driving; and

many suffer from a cumulative sleep debt due to a chronic pattern of trying to get by every day on an hour or two less sleep than is required to keep them alert.

Sleep related inattention is an insidious, yet silent killer on our roadways. It remains silent because people are often unaware of how poor or inadequate sleep affects them, or that they have a sleep problem. Most of us think we can function well because we seem to do okay on the job. But if the job involves driving or any other vehicle operation, especially for sustained periods of time, we increase our risk of accident by many fold, because this requires all the work elements that are most difficult for the sleepy brain to perform.

It is a national problem. This was dramatically demonstrated to me when I participated, last May 19, in an Office of Technology Assessment (OTA) workshop on factors in truck carrier safety. You may recall, Mr. Chairman, that this conference was held at the prompting of the Transportation authorizing committee's Chairman, Mr. Howard. Last month I had an opportunity to present a statement to the Surface Transportation Subcommittee to discuss this report, and to advise them of other issues involving sleep fatigue. The participants of the OTA Conference were some of the most highly respected individuals from the trucking industry, labor, insurance, truck manufacturers, federal agencies and academia. These highly informed individuals are dedicated to trucking safety, but even they were unaware of some of the silent factors that cause fatigue, of the circumstances in which a driver is most vulnerable to it, of how it affects driving ability, or of the additional risks it imposes on the driver and other motorists. Yet fatigue has consistently been implicated as among the most significant factors in truck accidents. For example, in 1986

the Insurance Institute for Highway Safety blamed driver fatigue for 41% of heavy truck accidents.

Trucks comprise 10% of all vehicles on the road, yet they are involved in 40% of all accidents -- a large portion of which are preventable. There is little doubt that the increased number of trucks on the road, the pressure to deliver on time, and the push toward driving extra miles to earn income, have resulted in increasing numbers of drivers operating vehicles when they are seriously impaired from sleepiness or fatigue. Unfortunately, most of the reinforcement for drivers encourage shortening sleep time in favor of driving time, or driving at times when sleepiness is paramount, or taking drugs in the mistaken notion that they can overcome sleepiness, or continuing to drive despite a sleep impairment that has left them inattentive. Many believe that they can "tough it out", but research has shown that no amount of mental or physical toughness can prevent sleepiness or its effect on our ability to drive. The sleepy brain will repeatedly lapse into sleep for seconds at a time, without either our consent or awareness of this, especially when we are operating a motor vehicle, train, or airplane. In such situations, <u>brain</u> failure (more so than brake failure) is likely to have contributed to an accident - we believe this is one reason why driver inattention has so consistently been implicated in truck accidents.

Single vehicle accidents are a particularly telling piece of evidence in this regard, because they cannot be attributed to the actions of a second driver. (e.g. In California in 1984, there were 4,497 fatal accidents, 44.7% of which involved single vehicles). The chart I hold shows the distribution of 6,000 single vehicle accidents across the 24 hour day -- the peaks occur during the time, research has shown, that we are normally sleepy. This pattern of greater risk at times of sleepiness is

also seen in traffic fatality data for both multiple and single vehicle accidents, with and without alcohol involved. A recent study of accidents in the state of Washington found that among the most serious 130 accidents involving transportation of hazardous materials, 69% occurred between 6 and 9 a.m. under good driving conditions on a straight road. The study concluded that driver inattention appeared to play a greater role in such serious accidents than did poor driving conditions or difficult maneuvers.

These and other data pertinent to the consequences of sleep related processes in health, transportation, and industry are reviewed in a just released report entitled "Catastrophes, Sleep, and Public Policy: Consensus Report" by a Committee of the Association of Professional Sleep Societies. I have brought copies of this important report today for your review, and wish to request that it be inserted into the hearing record.

The community of sleep disorders physicans and scientists are heartened by the fact that the effects of fatigue and inadequate sleep are beginning to be considered when experts deterimine the cause of accidents and mishaps in our national transportation system. We wish to make it clear that our Association <u>is not</u> advocating any prohibition on those who enjoy driving casually, or those who work hard to make their living on our nation's roadways. Yet there is no clear indication that there is a serious concern about the effects of sleepiness and fatigue on transportation within relevant federal agencies such as the Department of Transportation. More solid data and information are sorely needed to assess the role of sleep factors in their prevention in the transportation system of our nation. A major advance would involve explicitly recommending that the

relevant federal agencies gather data and perform research in these areas, while relying on the expertise of scientists and physicians knowledgeable in sleep and human functioning.

To prevent the lethal risks that sleep-related inattention and carelessness while driving, flying, or other transportation mode, pose to particular individuals and to society as a whole, The Association of Professional Sleep Societies recommends the following initiatives:

1. Creation of federal programs and activities designed to increase public knowledge and awareness of factors that contribute to lowered alertness and its insidious effects on driving ability.
2. Collection and compilation of data on the extent of this problem, such as the number of traffic accidents attributed to sleepiness. This could be accomplished by the addition of questions on accident reports.
3. Establishment of transportation safety guidelines or regulations that take into account the significance of sleep-related factors in the safe operation of automobiles, trucks, buses, trains and planes, and that urge persons with sleep disorders to obtain medical treatment in order to safely operate motor vehicles.
4. Encourage support of research designed to further identify the driving tasks and conditions that are most vulnerable to sleep-related accidents and the development of technologies that diminish this vulnerability.

Mr. Chairman, thank you for the opportunity to present this statement. I am very pleased to respond to any questions you may have.

COLORADO DEPARTMENT OF HIGHWAYS

STATEMENT OF FLODIE ANDERSON, COMMISSIONER

I am Flodie Anderson, Highway Commissioner of the Colorado Department of Highways. I wish to thank Chairman Lautenberg and the members of this subcommittee for the opportunity to submit testimony for the record. In previous years Mr. Jackson, our former Executive Director, or Mr. Bower, our Deputy Director, have testified concerning funding for an Interstate Transfer project critical to Denver and to the State: Colorado 470.

C-470, when completed, will be a 26.1 mile-long, 4-lane parkway, connecting I-25 with I-70 and providing movement in the southwest quadrant of the metropolitan area. Although actual federal funding for each of the past three years has been below the requested level, we are pleased to report that a total of 21.6 miles will be open to the motoring public by the fall of this year. This is 83% of the total project. The remaining 4.5 mile segment lies between U.S. 285 and Ken Caryl Avenue. The major roadway structures for this segment are either under construction or scheduled for construction this year.

As we have previously testified, one factor that added substantial completion time to projects long over-due in the Denver area was the cap on Interstate Transfer funds established in the 1982 STAA. To estimate the extent of the problem caused by the cap on funds for Colorado IX projects, we used the annual change in the Colorado Cost Index as a comparative measure. The shortfall in Federal dollars for this program as of December 31, 1987 is calculated to be $30.3 million or 15% loss in construction. The burden of this shortfall is on C-470 and the Santa Fe corridor. Realizing this problem, in 1986 the Department, with the cooperation of the Denver Regional Council of Governments shifted 21.5 million federal dollars from the Santa Fe Corridor to C-470 to allow this priority project to be open to traffic in 1989 or 1900.

Last year we requested that the balance of funds remaining in our STAA 1982 allocation be granted in Fiscal Year 1988. Congress granted $2.36 million of formula funds and $4.986 million in discretionary funding, leaving a balance of $9.06 million in the Interstate Transfer allocation for Colorado.

Colorado requests that this remaining balance of $9.06 million be made available in Fiscal Year 1989. The formula funds are estimated to be less than $1.0 million; therefore, the discretionary funds allocated by this committee are critical to the completion of all IX projects in the Denver area. Dividing C-470 into smaller segments, to match any reduced allocation, would increase the total cost and also increase the shortfall experienced by Colorado. It is essential that Colorado receive the remaining balance of IX funds in the next fiscal year.

We would also request that you consider removing the June 30, 1980 cap on transfer funds, replacing it with a cost-to-complete allocation. This would allow Colorado and other states to fully complete their IX projects in a timely manner.

The Colorado Department of Highways is very appreciative of the support you have given us over the years. The discretionary Interstate Transfer funds you have allocated to C-470 are a direct benefit to the motoring public and indirectly assist in helping to clean up the metro Denver air. We look forward to your continued aid and assistance in reaching a successful and timely conclusion to the Interstate Transfer program in the Denver area.

GEOSTAR CORP.

STATEMENT OF NOAH A. SAMARA, DIRECTOR, GOVERNMENT AND INTERNATIONAL AFFAIRS

MR. CHAIRMAN, AND DISTINGUISHED MEMBERS OF THIS SUBCOMMITTEE, I AM NOAH SAMARA, DIRECTOR FOR INTERNATIONAL AND GOVERNMENTAL AFFAIRS OF GEOSTAR CORPORATION. GEOSTAR APPRECIATES THE OPPORTUNITY TO SUBMIT A WRITTEN TESTIMONY ON TECHNOLOGICAL DEVELOPMENTS THAT ADDRESS THE HEART OF THE CONCERNS RAISED WITH REGARD TO HAZARDOUS MATERIAL TRANSPORTATION.

THE MOST RECURRENT AND UNDERLYING CONCERN IN THE TRANSPORTATION OF HAZARDOUS MATERIAL ARE (I) BETTER ROUTING STANDARDS AND ENFORCEMENT (II) LONGER RECORD RETENTION BY CARRIERS OF HAZARDOUS MATERIALS (III) PROPER AND EARLY NOTIFICATION TO STATES AND FINALLY AND MOST IMPORTANTLY (IV) BETTER EMERGENCY PREPAREDNESS AND RESPONSE TO TRANSPORTATION INCIDENTS INVOLVING SUCH SHIPMENTS.

GEOSTAR'S PRESENT TESTIMONY IS ON TECHNOLOGICAL ADVANCES THAT ENABLE THE TRACKING OF MOBILE VEHICLES, VESSELS AND AIRCRAFT IN REAL TIME ANYWHERE ACROSS THE NATION – ADVANCES, MR. CHAIRMAN, WHICH NOT ONLY ADDRESS THE HEART OF THE CONCERNS STATED ABOVE, BUT DO SO IN A COST EFFECTIVE MANNER.

AUTOMATIC VEHICLE TRACKING SYSTEMS ALLOW ALL ENTITIES CONCERNED WITH THE SHIPMENT OF HAZARDOUS MATERIALS TO (I) DETERMINE THE LOCATION OF THE SHIPMENTS ON A CONTINUOUS BASIS (II) MONITOR, *ON A DESK-TOP PERSONAL COMPUTER*, THE MOVEMENT AND STATUS OF THE CARGO AND (III) ESTABLISH COMMUNICATIONS BETWEEN MOBILE UNITS AND FIXED HEADQUARTERS. AUTOMATIC VEHICLE TRACKING SYSTEMS ALLOW SHIPPERS AND REGULATORS TO KNOW THE LOCATION OF HAZARDOUS MATERIAL SHIPMENTS AND TO ESTABLISH COMMUNICATIONS LINKS FOR AN EARLY DETERMINATION OF THE CHARACTERISTICS OF THE SHIPMENTS AND ANY EMERGENCY RESPONSE REQUIREMENTS.

FROM A PRACTICAL POINT OF VIEW AN AUTOMATIC VEHICLE TRACKING SYSTEM ENABLES MAXIMUM EMERGENCY PREPAREDNESS AND RESPONSE COORDINATION. THIS POWERFUL TECHNOLOGY PROVIDES (I) ROUTING INFORMATION ON SHIPMENTS AS THEY PASS THROUGH A STATE OR LOCALITY (II) PRE-NOTIFICATION ON SHIPMENTS AS THEY PASS THROUGH A GIVEN JURISDICTION AND (III) EARLY ALERT ON THE OCCURRENCE OF AN ACCIDENT, THE SHIPMENT INVOLVED, THE APPLICABLE RESPONSE PROCEDURE AND THE NEAREST BEST TRAINED TEAM EQUIPPED TO DEAL WITH THE INCIDENT.

THE APPLICATIONS OF THIS TECHNOLOGY BECOME ALL THE MORE URGENT IN THOSE CATEGORIES OF HAZARDOUS MATERIALS THAT ARE DEADLY, TOXIC BY INHALATION AND/OR REQUIRING EVACUATION DISTANCES IN THE EVENT OF AN ACCIDENT. INDEED, IN RECOGNITION OF THIS FACT, BOTH DOD AND DOE ARE INTEGRATING AN AUTOMATIC VEHICLE TRACKING SYSTEM REQUIREMENTS FOR THE TRANSPORTATION OF HIGHLY HAZARDOUS OR SENSITIVE CARGO, SUCH AS MUNITIONS AND NUCLEAR WASTE. GEOSTAR BELIEVES THAT A SIMILAR REQUIREMENT TO

COMMENSURATELY RISKY ACTIVITIES UNDER DOT'S AND, BY COEXTENSION, THIS SUBCOMMITTEE'S JURISDICTION WILL BE APPROPRIATE. THE HAZARDOUS MATERIALS UNDER CONSIDERATION HERE ARE THE ONES WHICH DOT HAS FOUND TO REQUIRE ISOLATION AND EVACUATION DISTANCES IN THE EVENT OF AN ACCIDENT.

WE THEREFORE URGE THE SUBCOMMITTEE TO APPROPRIATE A MINIMUM AMOUNT TO THE SECRETARY OF TRANSPORTATION TO CREATE A REQUIREMENT FOR AUTOMATIC VEHICLE TRACKING SYSTEMS IN THE TRANSPORTATION OF HAZARDOUS MATERIALS FOUND TO BE DEADLY, TOXIC BY INHALATION AND REQUIRING ISOLATION OR EVACUATION DISTANCES IN THE EVENT OF AN ACCIDENT. THE APPROPRIATED AMOUNT SHOULD ALSO BE USED BY THE SECRETARY TO CREATE AN INCENTIVE TO INDUSTRY FOR THE VOLUNTARY CARRIAGE OF AUTOMATIC VEHICLE TRACKING SYSTEMS IN THE TRANSPORTATION OF OTHER CATEGORIES OF HAZARDOUS MATERIALS.

THE GEOSTAR TECHNOLOGY

THE GEOSTAR TECHNOLOGY IS AN AUTOMATIC VEHICLE TRACKING SYSTEM THAT IS GENERICALLY CALLED RADIO DETERMINATION SATELLITE SERVICE, OR RDSS. THE RDSS SYSTEM IS A NEW CONCEPT IN SATELLITE TECHNOLOGY. THE SYSTEM IS COMPRISED OF (1) A SPACE SEGMENT CONSISTING OF TWO OR MORE SATELLITES (2) A GROUND SEGMENT MADE UP OF COMPUTERS AND EARTH STATIONS AND (3) A USER SEGMENT THAT IS SMALL ENOUGH TO BE OPERATED BY BATTERY AND CARRIED IN ONE'S HAND OR POCKET. THE USER UNITS CAN ALSO BE INSTALLED ABOARD AN AIRCRAFT, LAND VEHICLE, RAIL CAR OR SEA VESSEL.

USING THESE THREE COMPONENTS, RDSS PROVIDES TWO BASIC SERVICES: (1) ACCURATE POSITION LOCATION OF THE USER UNITS AND (2) A MESSAGING SERVICE BETWEEN USER UNITS. THUS, USING RDSS, THE STATUS AND LOCATION OF ALL HAZARDOUS MATERIALS BEING TRANSPORTED CAN BE MONITORED AT ALL TIMES AND A CONTINUOUS COMMUNICATIONS LINK CAN BE ESTABLISHED BETWEEN MOBILE UNITS AND THE GOVERNMENTAL AUTHORITIES CHARGED WITH THEIR SAFE PASSAGE.

THE RDSS SYSTEM PRINCIPLE

THE PROCESS OF POSITION DETERMINATION CAN BE INITIATED IN THREE DIFFERENT WAYS IN THE RDSS SYSTEM: FROM THE GROUND STATION, THE USER UNITS (AT THE USER'S OPTION) OR BY PROGRAMMING THE UNITS TO RESPOND AUTOMATICALLY IN PREDETERMINED INTERVALS.

AN AUTHORIZED PERSON TRYING TO KNOW THE POSITION OF A GIVEN MOBILE UNIT WOULD SEND A REQUEST TO THE GROUND STATION. THE GROUND STATION SENDS OUT INTERROGATION SIGNALS TO ALL USER UNITS TO INITIATE A RESPONSE FROM THE UNITS. EACH USER UNIT HAS A PERSONAL IDENTIFICATION CODE -- OR A "FINGERPRINT" -- WHICH IS PART AND PARCEL OF EVERY TRANSMISSION MADE. THUS, THE RESPONSE TO THE INTERROGATION

SIGNAL WILL IDENTIFY THE PARTICULAR USER UNIT. FURTHER, THE RESPONSE FROM THE USER UNIT IS TRANSMITTED TO TWO OR MORE SATELLITES IN SPACE WHICH RECEIVE AND RELAY THE SIGNAL BACK TO THE GROUND STATION AT SLIGHTLY DIFFERENT TIMES. THE GROUND STATION -- WHICH KNOWS THE LOCATION OF THE SATELLITES AS WELL AS THE DIFFERENT TIME THE SIGNALS ARRIVE -- USES THESE SPACE AND TIME REFERENCES TO TRIANGULATE THE USER'S POSITION TO AN ACCURACY OF SEVERAL METERS. THE POSITION INFORMATION WITH REGARD TO THAT PARTICULAR USER IS THEN SENT TO THE AUTHORIZED PERSON REQUESTING THE INFORMATION.

A USER REQUIRING POSITION INFORMATION CAN ALSO INITIATE THE PROCESS BY TRANSMITTING A SIGNAL DIRECTLY TO THE SATELLITES IN SPACE; THE SATELLITES RECEIVE AND RELAY THE SIGNAL BACK TO THE GROUND STATION WHICH CALCULATES THE POSITION OF THE USER UNIT IN THE SAME MANNER DESCRIBED ABOVE.

FINALLY, RDSS UNITS CAN ALSO BE PROGRAMMED TO TRANSMIT SIGNALS TO THE CENTRAL STATION AT A PRE-SET TIME (FOR EXAMPLE, EVERY HOUR, ETC). THE UNITS CAN ALSO BE INTERCONNECTED TO PRESSURE, TEMPERATURE OR OTHER GAUGES IN THE VEHICLE AND BE MADE TO TRANSMIT A SIGNAL UPON THE OCCURRENCE OF AN ABNORMALITY.

THE SIGNAL IN A RDSS SYSTEM CAN CARRY A MESSAGE OF ABOUT 100 CHARACTERS. THUS, USERS ARE ABLE TO BOTH RECEIVE AND SEND MESSAGES. MORE IMPORTANTLY, THE RDSS SYSTEM CAN ALSO "BROADCAST" MESSAGES TO A PREDETERMINED GROUP OF USERS – A FUNCTION PARTICULARLY IMPORTANT IN THE COORDINATION OF DISPARATELY SITUATED EMERGENCY RESPONSE TEAMS.

THE ENTIRE PROCESS OF POSITION DETERMINATION AND ADDRESSED MESSAGE RELAY TAKES UNDER ONE (1) SECOND TO COMPLETE.

A SINGLE RDSS SYSTEM CAN PROCESS OVER 18 MILLION TRANSMISSIONS PER HOUR, WHICH MAKES THE TRACKING OF ALL MATERIALS BEING TRANSPORTED IN THE UNITED STATES FEASIBLE.

SPECIFIC APPLICATIONS OF AUTOMATIC VEHICLE TRACKING SYSTEMS

AUTOMATIC VEHICLE TRACKING SYSTEMS (SUCH AS RDSS) CAN PROVIDE AN EFFECTIVE SOLUTION IN THE COORDINATION OF EMERGENCY RESPONSES. SPECIFICALLY, THEY WILL:

- *PROVIDE A REAL-TIME UPDATE ON THE EXACT POSITIONS OF ALL HAZARDOUS MATERIALS BEING TRANSPORTED.* LOCAL, STATE AND FEDERAL AUTHORITIES CAN MONITOR THE LOCATIONS OF HAZARDOUS MATERIALS ON A DISPLAY SCREEN AS THEY PASS FROM ONE JURISDICTION TO ANOTHER.

• *PROVIDE A MECHANISM FOR DECLARING THE MANIFEST OF CONTENTS AS WELL AS THE NATURE OF THE HAZARDOUS MATERIAL BEING TRANSPORTED ON EACH MOBILE UNIT IN A COST-EFFECTIVE, ADMINISTRATIVELY EFFICIENT MANNER.* THUS, ALL AUTHORITIES CONCERNED WILL KNOW THE TYPE OF HAZARDOUS MATERIAL BEING TRANSPORTED IN THEIR AREA OF JURISDICTION IN REAL-TIME.

• *PROVIDE A MECHANISM FOR LOGGING THE TRANSPORT ROUTES OF HAZARDOUS MATERIALS BEING TRANSPORTED IN EACH JURISDICTION*. THIS PARTICULAR APPLICATION CAN ADDRESS THE CONCERN OF A GROWING NUMBER OF JURISDICTIONS THAT ARE IMPOSING REQUIREMENTS THAT SHIPPERS AND CARRIERS MAKE NOTIFICATION OF THEIR INTENT TO SHIP HAZARDOUS MATERIALS THROUGH THE JURISDICTION. AUTOMATIC VEHICLE TRACKING SYSTEMS WILL MINIMIZE THE CREATION OF VOLUMINOUS ROUTE RECORDS FOR ALL HAZARDOUS MATERIALS BEING TRANSPORTED AND ACHIEVE THE NEED FOR THE RETENTION OF RECORDS VIA THE CENTRAL STATIONS. SINCE PRE-NOTIFICATION OF TRANSPORTATION ROUTES WILL BE DONE ON REAL-TIME BASIS AND DISPLAYED ON SCREENS, RDSS WILL ALSO ADDRESS THE CONCERNS OF SHIPPERS THAT THESE REGULATIONS ARE "PRODUCING HUGE VOLUMES OF WORTLESS PAPER." (SEE MR. JOHN CURRIE'S STATEMENT ON BEHALF OF THE AMERICAN TRUCKING ASSOCIATION , APRIL 24, 1987). AUTOMATIC VEHICLE TRACKING SYSTEMS CAN ALSO BE USED TO DEVELOP FLOW STUDIES ON THE TRANSPORTATION OF HAZARDOUS MATERIALS.

• *AUTOMATIC VEHICLE TRACKING SYSTEMS WILL ENABLE STATE AND LOCAL GOVERNMENTS TO ENSURE THAT TRANSPORTERS OF HAZARDOUS MATERIALS ARE FOLLOWING THEIR DESIGNATED ROUTES.* THESE SYSTEMS CAN PROVIDE IMMEDIATE NOTIFICATION TO THE DRIVER, THE SHIPPER AND LAW ENFORCEMENT ON WHETHER OR NOT A SHIPMENT IS FOLLOWING A PROPERLY DESIGNATED ROUTE.

• *PROVIDE A TOOL FOR APPROXIMATING VEHICLE SPEED.* AUTOMATIC VEHICLE TRACKING SYSTEMS, SUCH AS RDSS, HAVE THE CAPABILITY TO PROVIDE ACCURATE POSITIONING AS WELL AS DIRECTION DATA ON A CONTINUOUS BASIS; THUS THEY CAN PROVIDE A PREVENTIVE TOOL TO LAW-ENFORCEMENT AUTHORITIES BY ENABLING THEM TO APPROXIMATE THE SPEED OF CARRIERS OF HAZARDOUS MATERIALS.

• *PROVIDE A MECHANISM FOR THE POSITIONING OF EMERGENCIES WHENEVER AND WHEREVER THEY OCCUR.* THE CAPABILITY TO ALERT AUTHORITIES UPON THE OCCURRENCE OF EMERGENCIES PROVIDES THE SOLUTION FOR REDUCING THE RESPONSE TIME TO THE INCIDENT. THE AUTOMATIC PROVISION OF POSITION INFORMATION FURTHER REDUCES THE TIME THAT CAN POTENTIALLY BE SPENT IN LOCATING THE EMERGENCY. HOWEVER, PROBABLY THE MOST IMPORTANT APPLICATION IN THIS AREA IS THE FACT THAT SUCH SYSTEMS CAN PROVIDE POTENTIALLY LIFE-SAVING DATA ON THE NATURE AND APPROPRIATE RESPONSE PROCEDURE REGARDING LESS KNOWN HAZARDOUS MATERIALS. THIS APPLICATION BECOMES ALL THE MORE EVIDENT WHEN ONE CONSIDERS THE INCIDENT REGARDING THE NAVY TORPEDOS WHICH SENATOR WIRTH RECOUNTED IN

HIS TESTIMONY BEFORE SENATE AND HOUSE COMMITTEES; IF SUCH SYSTEMS WERE AVAILABLE THEN, THE CITY OF DENVER WOULD NOT HAVE BEEN "TIED UP FOR NEARLY AN ENTIRE DAY" DETERMINING WHETHER THE TORPEDOS WERE ARMED. FURTHER, WHILE THE NEED FOR ADEQUATE TRAINING REMAINS TO BE OF PARAMOUNT IMPORTANCE FOR RESPONDING TO EMERGENCIES, AUTOMATIC VEHICLE TRACKING SYSTEMS CAN PROVIDE A STOP-GAP MEASURE UNTIL THE RECOMMENDED TRAINING PROGRAMS ARE FULLY IMPLEMENTED; AND CAN SERVE AS BACK-UP RESOURCE, IN THE EVENT ADEQUATELY TRAINED RESPONSE TEAMS DEAL WITH HAZARDOUS MATERIALS THAT (1) LACK ADEQUATE DESCRIPTION/INFORMATION REGARDING THE SUBSTANCE INVOLVED OR (2) WERE NOT COVERED BY THEIR PARTICULAR TRAINING PROGRAMS.

• *PROVIDE A TOOL FOR COORDINATING EMERGENCY RESPONSE TEAMS THAT ARE DISPARATELY LOCATED OR SITUATED.* HAZARDOUS MATERIAL INCIDENT RESPONSES ARE NOT ONLY COMPLICATED BY THE NUMEROUS FEDERAL, STATE AND LOCAL REGULATIONS, BUT ALSO BY THE EXISTENCE OF VARIOUS RESPONSE TEAMS WITH OVERLAPPING JURISDICTIONS. AUTOMATIC VEHICLE TRACKING SYSTEMS CAN LINK AND COORDINATE ALL THE VARIOUS RESPONSE TEAMS THAT WOULD BE INVOLVED IN A GIVEN INCIDENT. IN ADDITION TO INTEGRATING THE RESPONSE TEAM, THE CAPABILITY WILL ALSO REDUCE AND SYNCHRONIZE THE TIME OF RESPONSE OF THE VARIOUS AUTHORITIES INVOLVED.

• *PROVIDE AN INTERCONNECTION WITH OTHER SENSORS ON A VEHICLE TO TRIGGER A SIGNAL ALARM IN THE EVENT OF AN ABNORMAL SENSOR READING OR AN EMERGENCY.* AUTOMATIC VEHICLE TRACKING SYSTEMS' UNIT CAN BE INTERCONNECTED, FOR EXAMPLE, TO PRESSURE OR TEMPERATURE GAUGES IN A CARRIER OF HAZARDOUS MATERIALS; THE UNIT WOULD AUTOMATICALLY EMIT AN ALARM SIGNAL IF ABNORMALITIES OCCUR. THIS APPLICATION IS PARTICULARLY IMPORTANT IF AN OPERATOR IS DISABLED OR UNAWARE OF AN IMPENDING EMERGENCY.

COST CONSIDERATIONS AND IMPLEMENTATION

GEOSTAR CORPORATION WILL CHARGE $45.^{00} PER MONTH FOR TRACKING A VEHICLE ANYWHERE ACROSS THE NATION. A SINGLE TRANSACTION INVOLVING A POSITION FIX AND THE TRANSMISSION OF A 100-CHARACTER SIGNAL WILL COST 0.05 CENTS. THE MOBILE UNITS PRESENTLY PRICED AT $3,000 ARE EXPECTED TO GO DOWN TO THE MID-HUNDREDS WHEN MASS PRODUCTION BEGINS.

SUMMARY AND RECOMMENDATIONS

AUTOMATIC VEHICLE TRACKING SYSTEMS HAVE SPECIFIC AND UNIQUE APPLICATIONS FOR THE SAFE TRANSPORTATION OF HAZARDOUS MATERIALS. THESE SYSTEMS PROVIDE A FEASIBLE AND COST-EFFECTIVE ALTERNATIVE FOR THE OTHERWISE OVERWHELMING TASK OF TRACKING THE TRANSPORTATION OF HAZARDOUS MATERIALS. THESE SYSTEMS WILL NEITHER CREATE ADDITIONAL BURDENS ON CONCERNED AUTHORITIES NOR PROLIFERATE USELESS DATA AND

PAPERWORK. AUTHORITIES ARE INSTANTANEOUSLY APPRISED UPON THE OCCURRENCE OF AN INCIDENT; THEY WILL ALSO HAVE ACCESS TO RELEVANT DATA REGARDING THE PARTICULAR INCIDENT AND THE APPROPRIATE METHOD OF RESPONSE. AUTOMATIC VEHICLE TRACKING SYSTEMS ALSO PROVIDE A USEFUL MECHANISM FOR PLANNING EMERGENCY RESPONSE; THEY CREATE A TWO-WAY LINK AMONG THE VARIOUS AUTHORITIES WITHIN A JURISDICTION AS WELL AS A LINK BETWEEN THE AUTHORITIES AND THE CARRIERS AND SHIPPERS OF HAZARDOUS MATERIALS. GEOSTAR'S AUTOMATIC VEHICLE TRACKING SYSTEM WILL BE PROVIDED ON A NATIONWIDE BASIS AND INTERNATIONAL IMPLEMENTATION IS ALSO UNDERWAY.

SINCE AUTOMATIC VEHICLE TRACKING SYSTEMS PROVIDE A COST-EFFECTIVE TECHNOLOGICAL SOLUTION FOR THE CONCERNS RAISED IN THESE HEARINGS, WE BELIEVE INTEGRATING AN ALBEIT LIMITED REQUIREMENT WILL GREATLY ENHANCE THE POLICY OBJECTIVES OF THE HAZARDOUS MATERIALS TRANSPORTATION ACT; AUTOMATIC VEHICLE TRACKING SYSTEMS WILL "IMPROVE THE REGULATORY AND ENFORCEMENT AUTHORITY OF THE SECRETARY OF TRANSPORTATION TO PROTECT THE NATION ADEQUATELY AGAINST THE RISKS TO LIFE AND PROPERTY WHICH ARE INHERENT IN THE TRANSPORTATION OF HAZARDOUS MATERIALS IN COMMERCE."

WE RECOMMEND THAT THIS SUBCOMMITTEE CONSIDERING THE IMPLICATIONS OF THIS TECHNOLOGY FOR THE TRANSPORTATION OF HAZARDOUS MATERIAL SHIPMENTS APPROPRIATE A MINIMUM AMOUNT OF FUNDS FOR THE SECRETARY OF TRANSPORTATION TO :

(1) DEVELOP A REQUIREMENT FOR AN AUTOMATIC VEHICLE TRACKING SYSTEM IN THE TRANSPORTATION OF HIGHLY DANGEROUS MATERIALS FOUND TO BE TOXIC BY INHALATION AND/OR REQUIRING EVACUATION DISTANCES IN THE EVENT OF AN ACCIDENT; AND FURTHER

(2) CREATE INCENTIVES FOR THE VOLUNTARY CARRIAGE OF AN AUTOMATIC VEHICLE TRACKING SYSTEMS FOR OTHER CATEGORIES OF HAZARDOUS MATERIALS THAT ARE SHIPPED. THESE INCENTIVES COULD, FOR EXAMPLE, INCLUDE EXEMPTIONS FROM CERTAIN REGULATIONS -- LIKE PRE-NOTIFICATION REQUIREMENTS OR THE LOGGING OF TRANSPORT ROUTES -- OR SIMPLIFIED LICENSING PROCEDURES FOR CARRIERS OF AUTOMATIC VEHICLE TRACKING SYSTEMS.

THIS REQUIREMENT AND INCENTIVE PROGRAM CAN BE INTRODUCED AND ENFORCED THROUGH EXISTING DOT STRUCTURES. AUTOMATIC VEHICLE TRACKING SYSTEMS WILL INTRODUCE NUMEROUS SAFETY FEATURES IMMEDIATELY AND REMAIN LESS BURDENSOME ON AUTHORITIES AND THE INDUSTRY CONCERNED WITH THE TRANSPORTATION OF HAZARDOUS MATERIALS.

GEOSTAR IS WILLING AND READY TO COOPERATE WITH INDUSTRY AND GOVERNMENT AT ALL LEVELS TO ENSURE THE SAFE TRANSPORTATION OF HAZARDOUS MATERIALS THROUGHOUT OUR NATION AND ITS WATERS.

MULTIPROGRAM FUNDING

Association of Professional Sleep Societies

Statement of David Dinges, Ph.D., Cochairman, Government Affairs Committee

RE: Recommendations for DOT-sponsored research on fatigue in truck safety

It is estimated that human error accounts for somewhere between 40% and 90% of all transportation accidents (depending upon the transportation mode and source of the estimate). Fatigue and driver inattention appear to be the largest classes of human error. Unfortunately, most of the research conducted to date in transportation safety relevant to these two categories neither defines what the terms refer to nor what factors might produce them. Even more disturbingly, the field has not taken into account developments in sleep research and sleep disorders medicine over the past 30 years, which have identified many of the key factors associated with limitations on human functioning as it pertains to fatigue and driver inattention.

In reviewing the transportation research literature -- the bulk of which consists of surveys -- one is struck by the lack of empirical basis for many of the views held, and the widespread use of outdated concepts about human error. For example, linear models of fatigue and its effects on driving performance continue to be common (i.e., the longer one works the greater the risk that performance will be impaired). This simple model is often the standard by which hours-of-service are judged, such that when data do not indicate a linear increase with hours on the job, the conclusion is that the hours-of-service are not a problem. Unfortunately, this ignores both the consistent (nonlinear) patterns found in performance and transportation data, and the massive body of literature accumulated in the past 30 years on the factors that profoundly affect human functioning over time (e.g., time-of-day or circadian effects; regular vs. irregular shift effects; cumulative partial sleep debt effects; effects from sleep disorders of excessive sleepiness; potentiating effects of alcohol and other CNS depressants on sleepiness). Sleepiness is the major factor producing fatigue of the kind that affects the brain and our ability to stay alert and attentive.

The following pages detail some of the research that needs to be done in the area of human functioning and transportation safety, particularly as it pertains to the trucking industry--where there is cause for public concern over fatigue as a contributory factor in increasing numbers of accidents. The quality of transportation data that has been collected in these areas in the past is poor by scientific standards. This is due to a heavy reliance on driver self-report and lack of attention to rest-activity cycles and the factors that influence them. In order to establish reliable data on the issues described in the following pages, research needs to be conducted by persons who are knowledgeable of the effects of sleep, chronobiology, and work demands. Two approaches are needed: (1) field studies of behavioral cycles and functioning; and (2) laboratory studies of sleep and wake functioning in paradigms that simulate driver work activity and loads.

1. <u>The effects of sleepiness/fatigue on aspects of motor vehicle operation</u>. Although it is known that sleepiness impairs the driver's ability to operate in a safe fashion, there is very little known about the specific effects it has on the operation of a motor vehicle. Research is needed on determining whether certain driving functions are impaired by sleepiness/fatigue more so than others or sooner than

others. The identification of driving performances that are most adversely affected by sleepiness/fatigue is the first step toward developing ways to alert a driver to the impairing effects of fatigue before it results in profoundly unsafe motor vehicle operation. The following are just a few of the specific driving functions that often figure prominently as human factors in truck accidents. Data is needed on whether each of these errors is increased by sleepiness/fatigue:

-- speeding (i.e., failure to monitor the odometer)
-- following too close
-- failure to slow on a curve
-- failure to signal a lane change
-- inattention to other vehicles
-- failure to yield right of way
-- improper turn

2. Countermeasures to the effects of sleepiness/fatigue. Aside from the evaluation of appropriate hours-of-service rules, research is needed on the most effective countermeasures to motor vehicle operation impaired by sleepiness/fatigue. The benefits for public safety of identifying effective countermeasures are tremendous. The following are some examples of promising countermeasures that need to be investigated relative to motor vehicle operation by a sleepy driver:

a. Education in safety programs on sleepiness/fatigue
b. Management support for identifying sleepiness/fatigue on the job
c. Napping
d. Caffeine and food
e. Light (bright enough to affect circadian physiology)
f. Automated cab consoles that provide feedback on performance

3. Hours-of-service regulations. There is overwhelming evidence that the 50-year-old hours-of-service regulations governing trucks are in need of re-evaluation. Foremost in this research should be studies on the relationship between hours-of-service and deterioration of driving performance and accidents. Studies involving nonintrusive ambulatory monitoring of drivers using devices that human sleep and circadian scientists employ could provide important information in this area, as studies in laboratory-based driving simulators. Hard data is needed on the effects of each of the following aspects of hours-of-service:

a. Varying lengths of driving within a day
b. Consecutive hours of driving
c. Different times of day (circadian phases)
d. Regular versus irregular shifts
e. Consecutive days of driving
f. Exceeding maximum hours (by regulation) of driving per week
g. Varying off or down times
h. Varying amounts of prior sleep
i. Vehicle operation during the first hour or two after sleep

4. Drugs and alcohol. Use and abuse of amphetamines, pep pills, and stimulants by truck drivers is usually (at least at the beginning) in response to sleepiness/fatigue. Data suggest that the problem may be widespread. Research is needed on the extent to which such drugs alter driving performance in a sleepy driver, how they affect the ability

to sleep during down time, and how they affect the driver as they are eliminated from the body. Alcohol is also frequently consumed in varying amounts by drivers, who then operate vehicles. Research is needed on the extent to which even small amounts of alcohol (within legally acceptable blood alcohol limits) affects motor vehicle operation and safety in the sleepy driver.

5. Identification of health factors that result in driving while impaired by sleepiness/fatigue. Aside from occupationally-induced sleep loss resulting in driving fatigue, alertness behind the wheel can be profoundly affected by medically based sleep disorders and disturbances. In order to focus efforts for improvement of fatigue-related accidents most efficiently and effectively, research is needed on identification of health factors that most frequently result in sleepiness on the job. Two areas in particular need attention in this regard.

a. Sleep disorders: During the past 15 years, tremendous advances have been made in the discovery, diagnosis, and treatment of sleep disorders, which are suffered by as many as one-third of the adult population. One of the most disturbing features of these medical discoveries is that many of the sleep disorders result in severely impaired daytime alertness, without the patient being aware that he or she either has a sleep disorder or has impaired daytime functioning. The incidence and prevalence of such disorders of excessive daytime sleepiness in the truck driving population needs to be addressed, and cost-effective techniques need to be developed that identify (and treat) those persons who suffer from serious but undiagnosed disorders. The research needs to be conducted by sleep disorders specialists, because many physicians are not knowledgeable in the diagnosis and treatment of such disorders. One disease in particular is of immediate concern.

Sleep apnea syndrome: It is reasonably safe to assert that a great percentage of truck drivers are overweight males between 25 and 60 years of age. This is also the population that is most likely to have a disease called sleep apnea syndrome. Sleep apnea is characterized by chronically disturbed sleep due to a failure to breathe normally during sleep. The sufferer has no awareness of the problem, however. A most significant feature of the disease is that it results in excessive daytime sleepiness, which can severely impair behavioral functioning, especially driving ability -- again without the patient's awareness. Once diagnosed and treated at a sleep disorders center, normal daytime alertness returns. Sleep apnea affects millions of people. Given that it has a high prevalence in overweight males, studies are urgently needed on the proportion of truck drivers who have the disease (undiagnosed and untreated).

b. Age: Sleep and its relationship to daytime alertness change as we age. Very little data exists on the relationship of driving alertness and fatigue as a function of age. For example, younger truck drivers are six times more likely to have an accident than older drivers. Is part of the reason for this because they are more likely to drive while impaired by sleepiness/fatigue? What are the effects of sleepiness/fatigue on drivers of different ages?

Thank you for the opportunity to present our views. We hope these suggestions will lead to serious Federal initiatives focused on improving our Nation's transportation safety and awareness programs.

HUMAN ALERTNESS RESEARCH CENTER

STATEMENT OF DR. MARTIN MOORE-EDE AND DR. SUSANNE CHURCHILL

In the last twenty years, America has grown increasingly dependent on the capability of the human body to adapt itself to functioning at any time of the day or night. The transportation industry in particular operates continuously 24 hours per day. From cars to trucks to railroads to airlines, problems inherent to working in shifts are the emerging problems of these industries. In a study of over 6,000 single-vehicle accidents, it was found the accident rate was greatly increased between midnight and 6:00 a.m. and not simply due to darkness or road conditions, but also to biological pressure in the brain to fall asleep. It has been found that truck accidents are 14 times more common at the end of long trips at night. This is not the case at the end of long trips during the day. The effects of shift schedules on airline pilots are only recently noted. Plotting the time of day pilots report nodding off in the cockpit clearly shows the vast majority of incidences occurs in the early morning hours. The dramatic effect of sleep deprivation and fatigue caused by irregular work schedules can be seen in the report of air traffic controllers at Los Angeles International Airport who were shocked one night when a Boeing 707 that had filed a flight plan to land at that airport overshot Los Angeles at 32,000 feet and headed west over the Pacific. The entire crew had fallen asleep, and the plane was cruising on automatic pilot. It was not until the jet was 100 miles out over the Pacific Ocean that the controllers were able to awaken one of the crew by triggering a series of alarms in the cockpit. Fortunately, the plane carried enough fuel to make the return journey to Los Angeles.

There are more than 27 percent of male workers and 16 percent of female workers, or more than 20 million Americans, who have jobs that require regular rotation between day and night shifts. This rotation is not a simple matter. The human body is designed to sleep at night and be active during the day. Almost

every function in the human body is timed according to this day/night cycle. There are circadian body (approximately 24 hour) rhythms which are evident not only in sleeping and eating but also in body temperature, digestion, kidney function and hormone levels in the blood. These rhythms are driven both by external cues, sunrise and sunset, and internal, "biological clocks."

PROBLEMS CAUSES BY ROTATING SHIFTS

When the body is required to function counter to these natural rhythms and clocks, there are many consequences accruing to the human body. Rotating shifts around the clock and working and sleeping at irregular hours place considerable stress on the body. Some of the problems inherent to this stress include:

Cardiovascular Disease: Rotating shift work schedules appear to substantially increase the risk of coronary artery disease, angina and myocardial infarction. A recent Swedish study shows a two-fold increase in cardiovascular diseases in shift workers over day workers in the same facility after 5 years of shift work exposure; 2.2 times risk after 10 years and a 2.8 times risk after 15 years. Other studies indicate that shift workers have increased levels of serum cholesterol and triglyceride levels. Workers with the most irregular working hours had significantly higher total serum lipids and LDL-cholesterol, and lower HDL-cholesterol, factors known to predispose individuals to cardiovascular disease.

Sleep Disorders: Obviously, working at night results in a disruption of the natural sleep-wake cycle. This disruption has caused train operators to experience major reductions in the duration of total sleep in a 24 hour period. The operators have a great deal of difficulty sleeping past noon regardless of when they go to bed. Averaging results of 198 surveys of a total of 4,500 shift workers conducted over the past 25 years shows that about 62 percent of those working at night complain of sleep disturbance. A retrospective study of 115 former shift workers

indicated that 90 percent considered their sleep to have been disturbed while working shifts.

Disorders of Digestion: Digestive problems associated with shift work include gastric and peptic ulcers, gastritis and various intestinal disorders. Several studies have found that shift workers in the U.S. and elsewhere have a two to four fold increased incidence of gastrointestinal disorders such as peptic ulcers when compared to the general population of workers who have never been on shift work. About 10 to 20 percent of workers who began shift work reacted to shift work with gastrointestinal diseases.

Accidental Injuries and Death: Increased risk of accidental deaths and injuries occur when individuals are fatigued and sleep-deprived. A recent study of Japanese railroad accidents shows that accidents and near-misses due to train operator drowsiness or sleeping at the controls occur 1.5 times per 100 trips. Field studies indicate that errors at work occur more frequently in the early morning hours (1:00 a.m. to 6:00 a.m.) than at any other time of the day by people who have not fully synchronized to their schedules; and, most shift workers on rapidly changing schedules do not become synchronized. There is increasing evidence to suggest that pilot error as shown in aircraft accidents may be related to a disrupted duty-rest schedule. The lack of alertness of the body during the early morning hours can lead to industrial failures; such as the inability of the operators to accurately diagnose and treat the problems at Three Mile Island which occurred at 4:00 a.m.

Psychological Stress: Shift workers report serious disruptions of social life because their free time is not coordinated with that of family and friends. This results in increased stress in family life especially because of conflicting demands on the shift workers who may want to sleep during the daytime when spouses and children are awake and noisy. Frequently this is accompanied by mood changes and irritability

resulting in increased marital discord and familial stress. The divorce rate is 60 percent higher in rotating shift workers as compared to straight day shift workers. This destabilization of the home environment has lasting consequences on the children of the family, passing the end effects of shift work stress onto the next generation.

Substance Abuse: These fundamental problems the shift worker has as a result of an inability to sleep properly when at home or stay awake when at work are a breeding ground for substance abuse. Many shift workers use alcohol or sleeping pills to help them fall asleep, and use excessive caffeine and uppers to stay awake on the job. Alcohol and long-term sleeping pill use will disrupt sleep quality and result in an individual becoming even more fatigued. The resulting struggle to stay alert and then sleep may lead to even further abuse causing even further deterioration in job performance. A recent study of drug abuse in police officers showed that when work was reorganized to permit better sleep hours at home and alertness on the job, alcohol and sleeping pill use dropped by 50 percent!

ECONOMIC EFFECTS

The effects of poor adaptation to the interrupted circadian cycle by the human body are not only related to the health of the workers but also to their job performance. Preliminary estimates of the economic impacts of these factors suggest that the human fatigue and disease caused by the stresses of the round-the-clock workplace cost in excess of $70 billion per year.

Costs of Increased Mortality and Morbidity: $15.7B/year

Increased Coronary Artery Disease and Heart Attacks: Shift workers suffer 2.0 times greater risk of coronary artery disease after 5 years of shift work exposure; an average shift worker has 10 years of exposure and shift workers comprise approximately 20 percent of the working population. Using figures from the National Health Care Financing

Review, it is possible to extrapolate an annual economic cost of $5.5 billion.

Increased Motor Vehicle Accidents: Shift workers have approximately twice the rate of automobile accidents as regular 9 to 5 workers. Using figures from the National Safety Council, it is possible to extrapolate an annual economic cost of $5.7 billion.

Increased Accidental Injuries and Deaths at Work: Accidents in industry and public transportation more than double during night work due to inattentiveness and lack of alertness. Using figures from the National Safety Council, it is possible to extrapolate an annual cost of accidents due to human shift-work-related fatigue to be $2.5 billion.

Increase in Other Medical and Psychiatric Illnesses: There is a two-fold increase in peptic ulcers in rotating shift workers as compared to those reported in straight day-shift workers; mood disorders and depression increased; chronic diseases such as diabetes and epilepsy are harder to control. The annual cost in terms of lost work days, outpatient and inpatient medical costs, etc. is estimated to be $2.0 billion.

Costs of Reduced Human Performance at Work: $55B/year

Reduced Manufacturing Productivity: Most manufacturing processes in this country are now done on round-the-clock operations. Because of the highly automated nature of this process, manufacturing is less susceptible to human fatigue and loss of alertness. Nonetheless, applying a conservative 5 percent loss of productivity due to reduced alertness to the approximately $1000 billion value-added by manufacturing in the U.S., an annual cost is estimated at $50 billion.

Increased Industrial Accident Costs: Inattentiveness and loss of alertness are among the most important contributors to the human error which is inherent in most industrial

accidents. In a recent Batelle study it was shown that 60 to 70 percent of accidents in nuclear power plants occur during night shifts. Truck accidents caused by drivers falling asleep at the wheel are up to five times more common at night. Assuming that 25 percent of the $16 billion paid out by insurance companies last year for industrial accidents was related to loss of alertness, the annual cost of industrial accidents is $4 billion.

Employee Turnover and Retraining Costs: Employee turnover rate is very high in round-the-clock operations. This obviously increases personnel hiring and training costs and that can be considerable. For example, it costs at least $100,000 to train a licensed nuclear power plant control room operator. Assuming an additional 1 percent annual turnover rate among the 20 million shift workers with an average $5,000 hiring and retraining cost would bring the annual cost to $1 billion.

Major Inestimable Costs

There are two major areas in which it is not possible to estimate the annual costs of rotating shift work--the security of our nation and the stresses placed on our family life. Our nation's security depends on alertness and peak performance by our military personnel at any hour of the day or night and any errors made by these personnel can have untold consequences upon our country and the world.

The reduced communication and additional stress placed on family life as the result of shift-work are evidenced by a 60 percent increase in the divorce rate among these workers. The economic costs are long-term, including the emotional stability, family environment and values imparted to the next generation.

TOTAL ESTIMATED ECONOMIC COSTS: OVER $70 BILLION PER YEAR

The Human Alertness Research Center brings together for the first time two well-developed, but previously separate,

disciplines: simulation engineering and human circadian neurobiology. Simulators have been used for many years to train individuals for complex and potentially dangerous tasks such as flying airplanes and driving trucks. At the Human Alertness Research Center they will be used to actually simulate the continuous, monotonous conditions of actual round-the-clock operations of various industries. Human circadian neurobiology has developed its own scientific tools and research methodologies over the past few years, including the importance of continuous monitoring of experimental subjects.

Merging the two disciplines allows for accurate simulation and study of round-the-clock lifestyles of workers performing complex and critical tasks. The facilities will make it possible to make sophisticated measurements and safely test new techniques for enhancing worker alertness and performance 24-hours-per-day. The benefits of this work will be seen in public safety, industrial productivity and the health of the nation's workforce.

The Center will provide untold benefits to the nation as a whole. There will be an ability to predict and define problems and to counteract problems. A tremendous increase in national productivity is possible as a result of understanding the problems of the round-the-clock workforce. Reductions in national health care costs and increase in the physical and emotional well-being of all Americans are all possible. Perhaps most important and of greatest impact is the possibility of increasing the safety and security of the United States. We require that the transportation workers of our country work through the night, driving long stretches to reach their destination on time or to pilot planes at times that their bodies would rather be asleep. Knowing what to do to safely counteract the problems associated with these circumstances is of prime importance to not only the transportation industry but the nation as a whole.

In the report accompanying the Transportation Appropriation bill as reported from the Senate Appropriations Committee for FY88, the Committee received "testimony by experts on the important role that fatigue, sleep disorders, and sleepiness play in transportation mishaps and fatalities. . . . The Committee requests the Secretary to use a portion of the planning, research, and development budget to study the extent of this emerging issue and develop mechanisms to monitor the frequency and timing of these problems, and reduce the frequency of these sometimes devastating mishaps." The Institute for Circadian Physiology requests $3,500,000 in Congressional support toward the costs of construction, equipment and program development of the Human Alertness Research Center in order to not only reduce but eliminate the causes for these devastating mishaps.

NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

STATEMENT OF KEITH BISSELL, TENNESSEE PUBLIC SERVICE COMMISSION, CHAIR, NARUC COMMITTEE ON TRANSPORTATION

This testimony is submitted for the hearing record by the National Association of Regulatory Utility Commissioners (NARUC). The NARUC is a quasi-governmental, non-profit Association founded in 1889 which is comprised of the state commissions charged with the regulation of our Nation's utilities and carriers. Many of our members are responsible for the implementation of federal safety laws relating to motor carriers, natural gas and hazardous liquid pipelines, and railroads, and are participants in Department of Transportation (DOT) programs established under those statutes.

With respect to FY 1989 appropriations for the Department of Transportation, the NARUC wishes to express its strong support for full funding for the DOT motor carrier, railroad and pipeline safety programs for FY 1989, and in particular to urge that the Department's safety grants-in-aid programs be funded at the highest possible levels. These grants-in-aid programs provide for voluntary state implementation of federally-mandated safety standards through the sharing of up to 50% of the states' cost of implementing the programs (80% for the motor carrier safety program).

Specifically, we request the following funding levels: $60 million for motor carrier safety grants-in-aid; $7.8 million for the merged natural gas and hazardous liquid pipeline safety program grants-in-aid; and $3.5 million for railroad safety grants-in-aid.

These programs have greatly improved the safety of the nation's transportation systems. In addition, they provide tremendous efficiencies for federal government with respect to

the enforcement of federally-mandated safety standards. Leveraging limited federal monies through the mechanism of cost-sharing is economically efficient, equitable and provides a significant return in the form of avoided accidents. Nationally, the states, through these joint federal-state programs, provide from about 33% to over 90% of the man-power available for transportation safety enforcement at only a fraction of the federal funding level which would otherwise be required.

The NARUC is vitally concerned about the future of these safety programs since our members include those State regulatory agencies which are current and potential participants, and since we are charged with the protection of the public interest. We strongly oppose any effort to eliminate or reduce funding for DOT safety grants-in-aid and we are especially concerned with the Administration's continued refusal to recognize the benefits of the rail safety program, for which it has again recommended zero funding.

The Motor Carrier Safety Assistance Program -- $60 Million

As part of the Surface Transportation Assistance Act of 1982, Congress established the Motor Carrier Safety Assistance Program (MCSAP) which provides matching federal funds of up to 80% of a participating state's safety program costs. The MCSAP program has enabled the states to initiate or substantially increase their safety enforcement activities. Nearly all the states and U.S. territories now participate in the MCSAP program. In addition to increasing the number of safety inspections and safety management audits performed each year, the program has also improved the quality and uniformity of these activities. By requiring the adoption of federal safety regulations as a prerequisite for funding, and monitoring the states' activities, the DOT has been able to utilize the program to achieve a high

degree of standardization in safety enforcement across the country. This is clearly in the public interest.

Last year, state participation in the Motor Carrier Safety Assistance Program resulted in nearly one million roadside safety inspections -- twice as many as the previous year, and over four times the number performed in 1983. Hazardous materials inspections were increased by over 45% from 1986 to 1987.

The magnitude of the trucking safety problem, which the MCSAP program is designed to address, can best be seen in the number of trucks that are taken off the road for serious safety violations each year. In Tennessee and other states where trucks are selected for inspection based a visual check of the vehicles' condition, over 60 percent of the trucks inspected are placed out of service until repairs are made or until the driver meets the hours of service requirements. Even in states where the selection is strictly random, the out of service rate during roadside inspections is one-third.

Two other important elements of the MCSAP program are the development of a nationwide safety information system and the safety compliance audit program. The "Safetynet" data base program, when fully implemented, will enable the participating states and the DOT to closely monitor motor carriers with high accident rates or a history of serious safety violations. The exchange of safety information will mean that companies which need assistance in the development of safety programs and those who consistently refuse to comply with safety regulations can be identified.

The safety audit program serves to ensure that carriers understand and comply with the basic safety regulations as set out by the DOT. These audits involve, among other things, the

analysis of the company's driver qualification records, hours of service logs, and equipment maintenance records. The audit program supplements the roadside inspection programs and encourages companies to fully comply with applicable safety standards. The number of safety audits has increased significantly under the MCSAP program and some states are now performing these audits to ensure the safety of all companies which apply for intrastate operating authority.

The Administration has requested that $60 million be appropriated for the MCSAP program for FY 1989. Approximately $13 million of this will be spent on the implementation of the national drivers license program, with the remainder allocated to funding roadside inspections and safety audits. In support of this funding level, we would stress that the success of the federal-state partnership in motor carrier safety is increasingly evident. And it is critical to the safety of our highways that both the federal and state commitment to the uniform enforcement of motor carrier regulations be maintained at the highest possible level. Full funding of the Administration's request will help ensure that this commitment is realized.

Natural Gas Pipeline Safety And Hazardous Liquid Pipeline Safety Grants-In-Aid Program -- $8 Million

Since its enactment in 1968, the natural gas pipeline safety program (now merged with the hazardous liquid pipeline program) has proved itself to be a model of effective federal-state cooperation. Administered by the DOT Research and Special Programs Administration (RSPA), this program has enabled the states to employ and train 225 pipeline safety inspectors and contribute over 95% of the national safety inspection effort. Forty-six state agencies, the District of Columbia, and Puerto Rico currently participate in this program. In 1987, the states

performed approximately 21,000 safety inspections and issued 5,640 citations for violations.

The legislation establishing this program authorized the DOT to fund 50% of its annual cost. However, in recent years, appropriations have continually fallen short of the authorized amount. Last year RSPA requested $5 million in funding for state grants-in-aid, with $4.275 million ultimately appropriated by Congress -- far below the approximately $7.8 million requested by the states (representing 50% of their costs) [see Appendix A]. This year the Administration is again requesting funding of $5 million -- a level which continues to be well below 50% of expected state costs.

NARUC and its member state commissions wish to emphasize that, while we have made a great deal of progress in the area of pipeline safety, our work is not completed. In 1987, there were 159 accidents which caused losses in excess of $50,000 each, 8 fatalities, and 81 injuries resulting from pipeline failures. This is an improvement over prior years and we believe it reflects the effectiveness of the safety programs and points out the importance of the preventive work done by State inspectors. But costs and injuries avoided by the <u>prevention</u> of accidents cannot, of course, be quantified, although the potential havoc which could be caused by significant pipeline failure is not hard to imagine.

We would also like to stress the need for adequate funding for the hazardous liquid pipeline component of the program. The federal minimum safety standards for hazardous liquid pipelines became applicable to intrastate facilities and the safety grants-in-aid program was established nearly 10 years ago. Only after six years, however, were any funds ultimately appropriated for this program, and unfortunately, the level was sufficient to

cover only 14% of the program's actual costs. Additional funding is necessary if this program is to play a significant role in pipeline safety.

We believe that, given the fact that natural gas and hazardous liquid pipelines in the United States total one and three-quarter million miles and transport more than half of the nation's energy supply, the importance of continued funding for this program cannot be overstated. It is critical to the safety of our citizens that these pipelines, which carry large quantities of extremely volatile substances, often under high pressure and in increasingly densely populated areas, remain under the intense scrutiny made possible by effective state inspection programs. Anything less could expose large segments of the population to risks of potentially catastrophic proportions and a disruption of vital energy supplies.

We urge the members of the Subcommittee to support the states' safety efforts by appropriating at least an amount equal to 50% of 1987 actual costs, which will ensure the full 50% funding to participating states for both the natural gas and hazardous liquid safety programs in FY 1989. Although FY 1988 data is not yet available from DOT, program participation and costs have consistently risen in recent years. We would therefore estimate that $8 million is necessary to achieve an amount equal to or approaching the authorized level. We would further note that appropriations for pipeline safety are funded not by tax dollars, but by a user fee on the affected pipeline companies. The program is therefore "deficit neutral".

Railroad Safety Grants-In-Aid Program -- $3.5 Million

The motor carrier and gas pipeline safety programs in which NARUC members participate have been cited as outstanding examples of federal-state cooperation. Unfortunately, the same cannot be

said for the rail safety program managed by the DOT Federal Railroad Administration (FRA). The Reagan Administration's lack of commitment to rail safety -- as demonstrated by its zero funding request for rail safety grants -- is not consistent with its support for transportation safety generally and is contrary to the public interest and Congress's intent in enacting statutory safety requirements. It should also be remembered that states have been largely preempted with respect to rail regulation. In establishing a greater federal role in railroad safety, Congress realized that federal cost-sharing would be both efficient and equitable in terms of ensuring broad state participation.

Authorized by Congress in 1970, the FRA safety program established a railroad safety structure that involved both the FRA and state regulatory agencies which choose to participate. The program requires that state inspectors be trained and certified to enforce federal safety regulations. This standardization of railroad safety regulations and enforcement under the FRA created a uniform set of criteria to be applied to the railroad industry by both federal and state inspectors, which simplified the process of safety regulation and compliance for all concerned. The FRA involvement in the program assured an overall "macro" view on industry safety compliance. The involvement of the states in the rail safety regulation process brought with it a more localized or regional viewpoint, along with more intense review of railroad compliance in the respective states.

State participation in the program has provided the flexibility necessary to ensure that the entire national railroad system is safe. Generally, as would be expected, the FRA has tended to take a nationwide view of its inspection activities. Unfortunately, as with any national safety program administered

from inside the Washington Beltway, this perspective can allow pockets of unsafe operations to exist in specific parts of a railroad's operations, while safety performance in the "big picture" appears to be satisfactory. The state inspectors, with their more frequent inspections, greater familiarity with local operating conditions and greater level of local accountability, are less likely to let such pockets of unsafe conditions go unnoticed.

Therefore, a major benefit of state involvement in the program is the ability of state and federal inspectors to serve as cross-checks on the other's activity. For example, at the present time the FRA inspectors are under considerable pressure to improve their productivity. A smart (but not necessarily wise) manager under these circumstances will tend to concentrate his or her inspectors in high density rail operating locations in an effort to get their inspection counts up. This will in turn result in decreased federal inspection activity at lower density locations, creating a void which can only be filled by state inspection activity.

In addition to establishing a uniform system of regulations and enforcement, the Federal Railroad Safety Act of 1970 authorized federal matching funds for state programs on a dollar for dollar basis. The availability of this federal assistance made it possible for many states to participate in the rail safety program. In spite of severely reduced federal funding during recent years (see Appendix B), 31 states continue to demonstrate their commitment to a safe rail system.

These 31 states have met the challenge set out in the Federal law and currently employ 104 FRA-certified inspectors who perform approximately 33% of the safety inspections done each year. In the area of track safety, the states perform over 50%

of the annual inspections. The states also provide 28.6% of the national inspection capability for locomotives and other equipment, 18.9% for railroad operating practices inspections, and 5.8% for signals and train control. Without the participation of the states, the FRA would be unable to meet its safety responsibilities to the public -- yet it refuses to recognize the value of obtaining more than one-third of the nation's inspection capability at half price.

Sadly, the FRA has not kept its part of the bargain. As a matter of fact, it is painfully apparent to us that they have abandoned their commitment to the railroad safety grant program altogether. With the exception of last year, the FRA has, in recent history, consistently requested zero funding for this important program, and last year's minimal funding request was due only to the well-publicized and extremely tragic Amtrak accident in Chase, Maryland. Absent a major catastrophe this year, the FRA is unlikely to change its mind about the need to fund this program. While funding safety programs after accidents raise the issue to public consciousness is better than no funding at all, it would be much more prudent, and efficient, to prevent the accidents from occurring in the first place.

Accidents or no accidents, the states have continued to demonstrate, year after year, their willingness to contribute to rail safety in America. The trend toward safer railroads, nationwide, correlates directly with active state involvement in safety enforcement efforts. We have exceeded our part of the bargain. We have spent a great deal of money on the training and certification of our inspectors. We continue to maintain our programs and enforce federal regulations, even when the federal participation drops below 20% of the cost (it is estimated that the FRA FY 1988 share will have dropped to approximately 15%). We continue to send violations to the FRA for enforcement even

when we rarely see final results of our work and the FRA collects and keeps the fines.

Ladies and gentlemen, we are quickly losing our incentive to cooperate with the FRA in this totally one-sided enforcement scheme. Whether or not states will continue to be able, or willing, to support the lion's share of this program remains to be seen, but it is indisputable that a strong federal commitment provides leadership and encouragement to the states, while a non-existent federal commitment is a cancer on this extremely important infrastructure. We simply do not understand how the Department can be so positive with respect to the motor carrier and pipeline programs and so negative about rail safety. The programs are virtually identical with respect to the principle of federal-state cooperation and federal cost-sharing -- a principle which clearly works.

We believe that the long-term solution to this problem may be the passage of legislation which would give certified states the option of direct enforcement through the courts, similar to what the FRA has now. This is consistent with the enforcement mechanisms used for federal motor carrier and pipeline safety regulations and would eliminate the majority of the problems we now experience with the FRA establishment.

But while this may be the long-term solution, we are still faced with the immediate need for funding for FY 1989. We would strongly urge you to over-ride the FRA's request for zero funding and appropriate the amount necessary to fully fund the railroad safety grant program in 1989. We therefore respectfully request that $3.5 million be appropriated for this important program.

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